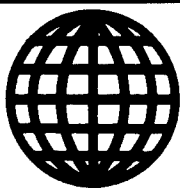


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# ***JPRS Report***

# **China**

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# China

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## CONTENTS

12 SEPTEMBER 1988

### INTERNATIONAL

#### SOVIET UNION

Glasnost as Reflected in Soviet Foreign Policy .....	1
--	---

#### NORTHEAST ASIA

Relations With Japan Face Critical Stage, Approach 'Breakthrough Point' .....	3
---	---

### POLITICAL

Hainanese Seek Redress to Automobile Incident .....	5
---	---

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

Discussion of Reform Concepts, Enterprise Responsibility System .....	8
Social Groups' Buying Power Increases .....	12

#### PROVINCIAL

Fujian Sets Up Shareholding Bank .....	12
Guangdong Exports, Other 'News Briefs' .....	13
Shanghai Begins Housing Reform Survey .....	13

#### FINANCE, BANKING

Communications Bank Issues Bonds in Singapore .....	13
Second Quarter Gold, Foreign Borrowing Reported .....	13
Provisional Stamp Tax Regulations .....	14
Interest Rates To Rise Beginning 1 Sep .....	16
Bank Official on Tighter Currency, Credit Controls .....	16

#### INDUSTRY

Shanghai Paper Mill Signs Foreign Contracts .....	16
Output of Main Industrial Products Reported .....	17
Textile Output Figures for July .....	17
Textile Output for July by Province .....	18
Country To Expand Flax Textile Industry .....	18
Guangdong To Establish New Iron, Steel Firm .....	18
Hebei Light Industry .....	18

#### FOREIGN TRADE, INVESTMENT

Trade Minister Cited on 'Stable' Foreign Debt .....	19
---	----

More Enterprises Given Right To Export .....	19
Fujian Enterprises Balance Foreign Exchange .....	19
Shenzhen To Further Upgrade Textile Exports .....	20

## ECONOMIC ZONES

Hainan's Sanya Draws Job Seekers From Mainland .....	21
Mayor Hopes Haikou Will Become 'Small Hong Kong' .....	21
Hainan To Open 'Free Port' .....	22
Xiamen Party Secretary on Development Strategy .....	22
Economic Zone To Be Formed in Qinghai .....	22
Shenzhen Approves Blueprint for New District .....	23
Tianjin Economic Development Zone Develops Well .....	23
Investment in Zhejiang City Reviewed .....	23

## LABOR

Problems, Countermeasures in Opening Up Labor Market .....	24
--	----

## POPULATION

Week-Long National Family Planning Conference in Qiqihar .....	27
Peng Peiyun Gives Final Speech .....	27
Changes in Family Planning Reported .....	27
NONGMIN RIBAO Discusses Birth Control .....	27
Paper Notes Mobile Population in Country .....	28

## TRANSPORTATION

State Council Circular on Coal Mine Explosion .....	29
China Industrial Aviation Service Corporation Operations .....	29
Accomplishments, Future Growth of China United Airlines .....	31
Demand Still Exceeds Growth in Transport .....	33
Construction Begins on 27 Key Highways .....	33
Economic Briefs on Shipping, Investment, Mining .....	33

## PRC MEDIA ON FOREIGN ECONOMIES

Nine Lessons From Hungary on Economic Reform .....	34
--	----

## AGRICULTURE

Interview on Farmland Occupation Tax .....	35
Alternative to Three Gorges Scheme Proposed .....	37
Government Meeting on Water Shortage Held .....	38
Northeast Forests Suffer From Excessive Felling .....	38
Freshwater Fish Production in Beijing Grows .....	39
Beijing Summer Grain Purchases .....	39
Tobacco Production Expected To Rise in 1988 .....	39
Bacterium Increases Wheat Output .....	39
Jiangsu Aquatic Production .....	39
Shandong Animal Husbandry .....	39

## SOCIAL

Peasant Riot, Student Unrest [Hong Kong CHIUSHIH NIENTAI Jul 88] .....	40
Li Tieying Addresses Conference on Education .....	43
Teachers Complain of Poor Status, Low Salaries .....	43
LIAOWANG Discusses Cultural Regulations [Hong Kong LIAOWANG OVERSEAS EDITION 15 Aug] .....	44

## MILITARY, PUBLIC SECURITY

Air Force Gives Preferential Treatment to Basic-Level Officers .....	47
NPC Representatives on New Situation for PLA .....	47
Article: PLA's Reforms Must Be Farsighted .....	48
Mao Zhiyong on Integrating Military Reserves .....	51
Military Communications in Yunnan Damaged by Theft .....	52
Guangzhou MR Group Army Uses Production Income for Training .....	53
PLA Sets Up Branch Engineering Design Institute on Hainan .....	53
POL Network for All Armed Services Formed in Northeast .....	53
Letter Points Out Problem of Understrength Companies .....	54

## REGIONAL

### EAST REGION

Han Peixin Addresses Jiangsu Discipline Inspection Commission Meeting .....	55
Shandong Civil Litigation Increasing .....	56
Leaders' Timidity, Not People's Low Tolerance, Said Cause of Slow Reform .....	57
Shanghai Cracks Down on Corruption, Bribery With 'Crime Report Centers' .....	57

### CENTRAL-SOUTH REGION

Guangdong Leader Stresses Honest Government .....	58
Henan Organizational Conference Opens .....	59

## SOVIET UNION

**Glasnost as Reflected in Soviet Foreign Policy**  
40050360 Shanghai GUOJI ZHANWANG [WORLD  
OUTLOOK] in Chinese No 13, 5 Jul 88 pp 19-21

[Article by Liu Guangqing [2692 0342 7230]: "Glasnost Enters the Field of Soviet Foreign Policies"]

[Text] One month before the opening of the 19th Congress of the Soviet Communist Party, the Soviet Union issued an outline adopted for the conference by the Plenum of the Soviet Communist Party Central Committee. This outline included not only domestic economic, political, and social reforms and the reform of the party itself, but also issues on Soviet foreign policies. The Soviet Communist Party Central Committee called on the whole party and the nation to discuss it openly and voice their opinions. This shows that the Soviet Union has officially opened up the forbidden area of foreign policies and introduced Glasnost into the sphere of foreign affairs.

### Why Is It Difficult To Openly Discuss Foreign Policies?

In the past 3 years, Glasnost has become an indispensable component of Soviet reforms. However, in comparison, open discussions in the sphere of foreign policies have been far less active and profound than those carried out in other spheres. Though soon after he replaced Gromyko as Soviet foreign minister Shevardnadze declared that foreign affairs is not a forbidden zone, and it, too, can be criticized. But due to the restriction of past tradition, the forbidden zone is difficult to break through. This foreign minister had to emphasize this issue again last year. He said: Many bold, significant, and argumentative articles have been published on many major issues concerning various aspects of our domestic life, but it is not the same in the sphere of foreign policies. Why? Is it because everything we have done in this regard is correct? Or is it because there are no alternatives to our current practice?

Many Russian scholars should be discontent with this situation. In April 1988, Bovin, political commentator of Izvestiya criticized harshly at a discussion of journalism reform: There have been very few changes in Soviet reports on international news. Major events have not been reported objectively. Many things have been continuously categorized as "good" and "bad." We can write and talk about the former but we can only be silent about the latter. We have not been able to make open, serious analysis about many events and processes in international life. The forbidden zone is taken as a common practice, not something irregular. For instance, objective analyses, not praises, of Soviet foreign policies, especially actions of critical analysis on foreign policies; foreign and domestic policies of socialist countries; current affairs of nations following the direction of socialism; policies of any country which the Soviet Union considered to be friendly or hoped that it is friendly to

the Soviet Union; situations of various parties under the international communist movement, etc., and still are the forbidden zone of international news. Soviet press always uses two colors—black and white—to depict happenings in the Near East, South Africa, the Persian Gulf or Central America. It is we who have driven the people to listen to the "Voice of America" or some other kinds of "voice."

Then why is it hard to carry out open discussions on foreign policies? Nikiforov thinks that there are at least two reasons: First, information is not open enough, and foreigners often know more about Soviet military, foreign economic, and political activities than Russians themselves. Second, readers, writers, and editors have all developed a habit of thinking that all commentaries published on the issue of foreign policies represent the official view of the Soviet Union. He thinks that this abnormal phenomenon must be corrected and that Russian and foreign readers must be allowed to see views and suggestions different from those of the government in order to carry out open discussions helpful to diplomatic work.

### The Soviet Communist Party Central Committee Issued Document To Open Up Forbidden Zone

Although open discussions on Soviet foreign policies have been slow in coming, the review of Soviet foreign policies have in fact already been carried out secretly within the Soviet government, academic circles, and even among the general public. Last year on the occasion of the 70th anniversary of the October Revolution, Gorbachev announced for the first time the Soviet official assessment of past foreign policies. He admitted that since Lenin "our diplomatic work has not been all successful and effective. Some mistakes have been made... The postwar Soviet Union enjoyed high moral prestige, but we failed to use it to unite all peace-loving democratic forces to stop the 'cold war' 'plotters. Our responses to imperialist provocative actions were not always proper." He said: "Indeed we could do better in some areas and our actions could be more effective." Gorbachev is the first general secretary of the Soviet Communist Party to openly admit that there were mistakes in foreign policies adopted after Stalin. His speech has served as a direct motive force for the review of Soviet foreign policies in the Soviet Union.

What officially opened up the forbidden zone—the discussion of Soviet foreign policies—is the recently published outline for the 19th Soviet Communist Party Congress. One of the paragraphs in the outline states: "Critical analyses of the past show that the stands of dogmatism and subjectivism were also reflected on Soviet foreign policies. Soviet foreign policies lagged behind the basic changes of the world and failed to fully reflect the situation of detent and the new possibility of seeking more mutual understanding among the peoples of different nations. In order to gain military and strategic equilibrium, we failed to persist in the possibility of

using political means to protect national safety and got the Soviet Union involved in the arms race, adversely affecting the social and economic development and international status of the Soviet Union." This paragraph of the assessment is more profound than Gorbachev's speech on the 70th anniversary of the October Revolution. In addition to the mistakes in some areas, it thinks Soviet foreign policies as a whole were behind the reality of current international changes, leaving the Soviet Union in a passive position.

An article published in March 1988 in the magazine "Communist," which was written by Arbatov, director of U.S. and Canadian Studies of the Soviet Academy of Science, has verified this assessment. Arbatov contends that in the 1970's the Soviet Union's understanding of international relations and the world environment and reality was unrealistic and that the Soviet Union was very slow in recognizing new political and military realities and reluctant to give up outdated views. In the 1970's, Soviet foreign policies were negative and passive, lacking initiative. There have been too many instances of hasty responses and oversimplified reactions to certain moves of the West. This enabled the other side to force the "rules of the game" onto the Soviet Union and force the Soviet Union to fight the battle on the ground designated by the other side. For instance, whenever the United States puts forward a military plan, the Soviet Union would be forced to make responses which do not give much consideration to its own economic strength and strategic and political realities and sometimes are even irrational.

#### **Public Exposure to Hegemonism in Foreign Policies**

The review of foreign policies currently carried out within the Soviet Union, which covers issues from various periods between Stalin, Brezhnev, and Chernenko dares to face historical reality, and points out the nature of mistakes.

On the issue of relations with other socialist countries, since the 27th Soviet Communist Party Congress, Gorbachev has on many occasions openly admitted that previous Soviet policies on other socialist countries had mistakes and that "they violated the principle of national independence and equality." During his visit to Yugoslavia in March 1988, Gorbachev openly admitted that in 1948 the Soviet Union made "groundless charges against Yugoslav leaders" and that the incident of expelling Yugoslavia from Cominform has caused great damage to Yugoslavia, the Soviet Union, and the cause of socialism as a whole. This was the first time that the Soviet Union openly negated the resolution by Cominform in 1948. On Soviet-Polish relations, Gorbachev has openly admitted that there were many "blank spots" in the history of Soviet-Polish relations, and both sides have agreed to establish a Soviet-Polish joint historical commission to study such issues as "the Soviet-Polish war" in 1920, "the dismissal of the Polish Communist Party in 1938," and "the Katyn incident in 1941." Recently, the Soviet Union repaired the

monument to the victims of the Katyn incident and held an unveiling ceremony. According to the speculation of foreign news agencies, the Soviet Union probably will admit mistakes in this incident. For another instance, on Soviet-Albanian relations, Soviet newspapers openly admitted committing mistakes of "subjectivism and the theory that humanity will decide everything." As for Soviet-Czech relations, Soviet scholars suggested that the issue of sending Soviet troops to Czechoslovakia in 1968 be reevaluated, but it was shelved due to the disapproval of the authorities. While answering reporters' questions in December 1987, Gerasimov, spokesman of the Ministry of Foreign Affairs, admitted that the era, in which Soviet troops could interfere with the East Europe under the name of socialism, is over. When asked by a Japanese reporter how he evaluates Brezhnev's "limited sovereignty," a Soviet scholar said that the Soviet Union does not use this term, but he admitted that the definition of this term is close to reality and that it means using coercive means to interfere with the internal affairs of socialist countries. He thinks that the foreign policies of the Brezhnev period were deeply stamped with the brand of Stalinist foreign policies. The expulsion of Yugoslavia from Cominform in 1948 was a typical example of hegemonism as well as a typical expression of Stalinist foreign policies. Some scholars suggested that the Polish-Hungarian incident in 1956 be reevaluated.

#### **Critical Analysis of Entire Foreign Policies**

East-West relations have made eye-catching developments in recent years due to the US-Soviet agreement on the treaty eliminating and destroying intermediate-range nuclear missiles and the beginning of the withdrawal of Soviet troops from Afghanistan. It was on these two issues that Soviet academic circles first openly aired differing views. In fact, everybody in the Soviet Union was secretly talking about the invasion of Afghanistan, saying that it was a mistake, but publicly reporting it was still restrained. In March 1988, the Soviet scholar, Bogomolov, revealed that as early as 20 January 1980 the Institute of International Socialist System, which was under his leadership, submitted a report to the higher level, opposing Soviet troops in Afghanistan. Recently, several Soviet scholars published articles in Soviet newspapers to openly state that sending Soviet troops to Afghanistan was a mistake, "causing the Soviet Union to become isolated at the United Nations General Assembly." However, some Soviet officials still insisted that under the situation of 1979, the Soviet Union had no choice but to send troops to Afghanistan. Many Russians have died in Afghanistan. Maybe Soviet officials do not want to talk about it in order to pacify the families of the dead and the injured and those soldiers still fighting in Afghanistan.

Proceeding from the two incidents—the INF treaty and Afghanistan—some Soviet scholars are making further critical analysis of East-West relations and of the policy decision on foreign policies as a whole. Bovin, political commentator of Izvestiya, contends that by deploying intermediate-range missiles in Europe and sending

troops to Afghanistan, the Soviet Union overestimated its own ability, hoping that it could solve problems with military power. As a result, it asked for trouble and caused damage to its international prestige. Dashichev, doctor of history, thinks that the Soviet Union has pushed the task of war prevention to the second place in order to expand socialist revolution. In the eyes of the public in Western countries, the Soviet Union is a dangerous superpower which wants to establish the Soviet-style communist system. In the early 1970's when the strategic equilibrium was achieved between the Soviet Union and the United States, it was possible for the Soviet Union to relax relations with the West, but instead of doing so, the Soviet Union expanded in Africa and Near East, providing the United States with a handle to oppose the "Soviet threat." Soviet troops in Afghanistan pushed the "Soviet threat" to the brink of crisis in the eyes of the West, causing all large countries including China to oppose the Soviet Union. Dashichev pointed out that the arrogant practices of hegemonism and great-nation chauvinism deep-rooted in Soviet foreign policies have repeatedly threatened the political balance between Eastern and Western countries and caused many conflicts and frictions between the Soviet Union and other socialist countries. He thinks that Stalin's foreign policies were based on the ultra-leftist Blanquism and Trotskyism and that overcentralization of domestic policies inevitably resulted in the hegemonism and great-nation chauvinism in foreign policies.

On East-West relations, many scholars also suggested that such issues as Soviet-German relations and Soviet relations with neighboring countries before the war and causes for the split-up of postwar anti-Hitler alliance be restudied. Recently, (Loyimaidewejiefu), a Russian historian, clearly pointed out at a press conference that the war waged by the Soviet Union in 1939 against Finland was a "war of aggression" and Lozovskiy, a former Soviet diplomat, openly stated his view which was exactly the opposite of Gorbachev's in an article of MOSKOVSKAYA PRAVDA, contending that the signing of the nonaggression treaty between the Soviet Union and Germany in 1939 was a mistake and a very unwise decision of Stalin.

The open discussion of foreign policies has begun in the Soviet Union. It looks like that this tendency will continue to develop in depth. What kind of impact it will have on current foreign policies and what kind of reaction it will stir up in other countries are worth our further observation.

12302

### NORTHEAST ASIA

#### **Relations With Japan Face Critical Stage, Approach 'Breakthrough Point'**

40050335 Shanghai SHIJIE JINGJI DAobao in  
Chinese 6 Jun 88 p 15

[By staff reporter Yu Mingshan 0060 2494 1472]

[Text] In spite of all the trouble created by such incident as "the Nippon Affair," Wu Xuewen [0702 1331 2429],

researcher of the Chinese Institute of Contemporary International Relations, told our staff reporter that he was still optimistic about Sino-Japanese economic cooperation. He said: Now that the relation between the East and the West is relaxed, the relation between the North and the South becomes even more prominent, and if China and Japan work together, their relation will undoubtedly become the breakthrough point in improving relations between the North and the South.

To develop economic cooperation, China and Japan need to have a better political relation. According to Wu Xuewen's judgement, although various problems have cropped up between China and Japan, their relation in general is good. Judged from the long process of history, Sino-Japanese relation is now facing the most important stage.

His arguments are: 1) Based on history, China and Japan are equal for the first time; 2) Japan is readjusting its industrial structure and China is implementing its coastal development strategy—the coincidence of the two events provides a golden opportunity which could happen only once in a thousand years; 3) Most politicians, policy-makers, and people in important positions were born after 1945. When the relations among these people improve, Sino-Japanese relations will have an even brighter future. 4) Sino-Japanese economic cooperation may become the breakthrough point in improving the relation between the North and the South.

Wu Xuewen pointed out the need to consider Sino-Japanese economic cooperation in an international environment. Three years have passed since Japan put forward the "Nakasone report." Last year Japan put forward the "new Nakasone report" which must be carried out in spite of many problems because, due to the appreciation of Japanese Yen, Japan cannot compete with South Korea if it still engages in labor-intensive industries. Therefore, Japan needs to cooperate with China and China needs to take the advantage to accumulate funds and build infrastructure. What is more noteworthy is that in the past 20 years, the GNP ratio between the South and the North is about 1 to 12. It looks like that this gap will not be changed easily. Besides, economic cooperation of a more substantial nature is carried out between the countries of the North. Now that the North suffers from serious conflicts and the South happens to be bogged down in the debt crisis, a third highway—cooperation between the North and the South—must be built between the two highways—one connecting countries of the North and the other, countries of the South.

One of the Northern countries that is enthusiastic about solving the North-South problem is Japan. The phrase North-South relation used by Japan is, of course, different from the one used by the Third World. Tokyo wants to use the North-South relation to enhance Japan's position in the world order. Today, frictions between Japan and the United States and Europe are acute. Judged from Japan's industrial structure, Japan can only

export its products to these countries. Japan has become an unstable factor for it has caused a great impact on the finance and trade of the world's economic communities. In order to reduce frictions between countries of the North and avoid treating symptoms but not the disease, Japan must find a market to replace exports to the United States and Europe. Such a market cannot be created overnight. Instead, it takes a long time to cultivate. To do so, Japan needs to engage in technological and financial cooperation.

Wu Xuewen told reporters that Japan recently decided to establish a consulting organization for Japanese and

Chinese trade and technology transfers to handle mainly the Cocom issue. He believes that once officially opened, this organization can play an active role in Sino-Japanese economic cooperation.

Kyushu has a plan to establish an "economic circle along the East China sea" which covers Kyushu, Taiwan, Hong Kong, and China's coastal areas. Kyushu will soon send a delegation of over 30 people to conduct a comprehensive study of China's coastal areas. As a region, Kyushu will make good progress in its cooperation with China.

12302



**Hainanese Seek Redress to Automobile Incident**  
40050449P Hong Kong CHENG MING  
[CONTENDING] in Chinese No 130, 1 Aug 88 pp 24-25

[By CHENG MING special correspondent Xiao Chong [2556 0394]: "A Wind Blowing Through Hainan Calls For Reversal of Verdict: Endless Problems Beset Hainan's Development as a Province"]

[Excerpts] The Hainanese have long desired provincial status for their island and most are genuinely happy about their new status. They're not, however, eager to get involved. As a result, we see the phenomenon of "enthusiasm outside Hainan and apathy within". This is reportedly the reason the cocktail party held in June to celebrate the establishment of Hainan Province was held in Hong Kong instead of Hainan.

**The Hainanese Don't Believe What the Authorities Say**

Because the Hainanese are right in the middle of things, they are badly affected by the vicissitudes of the Communist Party's policies and they no longer easily believe the authorities' "sweet talk".

Although Lei Yu [7191 1342] did not succeed in obtaining provincial status for Hainan, between 1983 and early 1985 he did succeed in obtaining preferential policies for Hainan in the form of the "CPC Central Committee Document No 11". This document aroused the enthusiasm of the Hainanese and led to the creation of industries at an eager and quickening pace. Much of the infrastructure in place in Hainan today was built during those two years. However the Hainan automobile incident of 1985 soon caused Document No 11 to be quite abandoned and the Hainanese' hopes were dashed overnight.

Although the authorities have now made Hainan a province, the Hainanese are still suffering from the automobile incident, which is still very fresh in their minds. They are still smarting from their wounds, afraid to do anything with foreign exchange, and the cadre are afraid to act. The Hainanese are still mired in despair.

**Calls For Reversal of Verdicts on the Automobile Incident Mount Daily**

The Hainanese feel that they could get their confidence back, not so much by structural changes such as the granting of provincial status or by the granting of X amount of preferential treatment from the central government, but by a complete reversal of the 1985 verdict on the automobile incident which they feel is unjust, false, and wrong. The Hainanese feel that unless the verdict is reversed, they could not become enthusiastic again.

Although Lei Yu has been returned to political life, he has not obtained a reversal of the investigation results that stripped him of his post in August 1985. Recently he

was re-elected as vice mayor of Guangzhou. Lei Yu personally is not concerned whether the verdict on him is reversed, admitting that he committed some improprieties that year. Nevertheless many of Hainan's cadres feel that if the verdict on Lei Yu is not publically reversed, it will be hard to change their current mood. Recently, droves of cadres who were punished in 1985 by the Central Discipline Inspection Commission and the Guangdong Work Organization Department have requested reversals of their verdicts.

In 1985, the key figure in the HAINAN RIBAO smuggling scandal, the newspaper's editor-in-chief Guan Xin [7070 2946] was sentenced to imprisonment on the grounds of corruption.

A knowledgeable source said that a reinvestigation and redress is underway for many of the cases and the verdict on the entire automobile incident itself may be reversed.

Hainan CPC Work Committee secretary Xu Shijie [6079 1102 2638] confirmed that there have been cases where cadres had only committed common mistakes because they lacked experience or were unclear about procedures or because of the usual types of problems, yet were arrested and sentenced. Light offenses were heavily punished and sometimes even the innocent were erroneously punished. This informant felt that only a redress through legal procedures of cases in which people had been erroneously punished or punished too heavily would ease the minds of Hainan's cadres and make the people interested in taking advantage of the government's policies.

**Hainan's Vitality has been Destroyed by the Central Discipline Inspection Commission**

When Lei Yu took over the helm in Hainan, the island's development was off to a good start. The Hainanese say that it was because the Central Discipline Inspection Commission made a big deal out of the automobile incident that Hainan's vitality was destroyed.

Hainan became a pawn in the power struggle between the reformist and conservative factions. A cadre who was not originally from Hainan but was working there said that the reformist faction wanted to develop Hainan and turn it into a model. The conservative faction, however, seized the automobile incident and made a big issue out of it. The Discipline Inspection Commission, which they controlled, would not let go of the incident and used it to give the reformist faction a hard time. That year, Guangdong's Ren Zhongyi and Fujian's Xiang Nan were forced to stand at the sidelines while the power struggle was going on.

Truly the Central Discipline Inspection Commission was not interested in helping Hainan. In trying to bring Hainan down, the commission did not hesitate to concoct a false case. If the commission had handled the automobile incident properly, the spirit of the Hainanese would not be one of despair and apathy as it is even to this day.

Ren Zhongyi is angry about the way the incident was handled. He said in an interview in SHIJIE JINGJI DAOBAO, "In turning Hainan into a province and the world's largest special economic zone, it is hard to avoid making errors or mistakes of some kind. The important thing is that Hainan should be given help immediately. We must not lightly change government policies just because a mistake was made". Ren Zhongyi also said "If some of the money from the automobile incident had been given to Hainan to use for development, things would then be okay".

Instead, all the money from the automobile incident was carried off by the higher authorities, leaving the Hainanese unable to even recover their costs. If at that time some of the money had been allocated to Hainan for development, the Hainanese would have seen that there still was hope and understand that the central authorities were trying to cure the illness to save the patient. They would understand their mistake and be able to correct it. They would feel grateful and try to find a way to repay the kindness. They would continue to develop and open up. The Central Discipline Inspection Commission, however, did not react in such a way for this to happen. Instead they conducted a campaign to find out if cadre at all levels could pass the test.

### Hope and Despair

According to one long-standing Hainan cadre, for a long time, cadre from Hainan and cadre from other provinces have had a hard time getting along with one another. This was especially true after Feng Baiju [7458 4101 7467] became the local master. Local cadres feel a kind of mistrust toward cadres from other provinces. They do not feel that way, however, toward Lei Yu. Many local cadre want Lei Yu to come back and run Hainan. The long-standing cadre said that if the Hainanese were allowed to democratically elect their provincial governor, they would certainly elect Lei Yu.

The cadre in Hainan are delighted that Lei Yu has been elected vice mayor of Guangzhou City for another term. One cadre who was recently assigned to work in Hainan told me that he feels a lot more confident now that Lei Yu, Ren Zhongyi, Xiang Nan (said to be recently assigned a supervisory role in the Central Party School), Zhu Houze [2612 0624 3419], Pan Weiming [3382 4850 2494], and other reformist cadre have become active again. That these people are still in positions of power or can still speak and act on behalf of the reforms says that not all of the bad guys are running the show and that there is still hope for the reforms.

The Hainanese nonetheless are worried about more immediate matters and they despair at their current situation. This is because an important leader currently assigned by the central authorities to run Hainan is not one to unselfishly serve Hainan's interests as Lei Yu was.

It was in September of last year that the National People's Congress announced the approval of the creation of Hainan Province. In August HAINAN RIBAO had divulged discussions held by the NPC on the proposal to create the province. Prior to this, it is reported, the leader mentioned above who was privy to the advance information, sent his wife to Hainan to personally purchase two buildings because he knew that Hainan's land and property values would rise as soon as the announcement was made.

Some of Hainan's cadres are whispering among themselves. But to expect that kind of cadre to put his whole heart and soul into Hainan's development the way Lei Yu did is impossible.

### Factions are Involved in Hainan's Administration

When the Shenzhen Special Economic Zone was first created, Wu Nansheng [0702 0589 3932] was sent to run it. The result was that he brought in a large number of cadres from Chaoshan [3390 3073]. Hence there is such a thing as a "Chaozhou Gang".

With each reassignment and readjustment in Shenzhen's leadership, new blood was brought in from outside. Each group that arrived expanded Shenzhen's cadre ranks and cliques such as the "Huiyang Gang", the "Guangzhou Gang", the "Shaoguan Gang", and the "Foshan Gang" were formed. It was hard to accomplish anything with all these cliques.

The same situation exists in the new Hainan Province. The Central Committee has assigned 5 cadres to run Hainan. Practically each man has brought in a gang with him. It is said that to date there already is a "Guangzhou Gang", a "Shenzhen Gang", and the previously-existing "Hainan Gang".

The most obvious example is Liang Xiang [4731 3276]. He has already brought in former Shenzhen vice mayor Zhen Xipei [3914 6932 1014] and has decided to give Shenzhen vice mayor Zou Erkang [6760 1422 1660] a post in Hainan. It is also said that Liang Xiang is trying to convince Shenzhen Public Security Bureau chief Wen Guiqing [2429 6311 3237] to run the public security bureau in Hainan. It is said that Wen Guiqing has been unbiased in his job in Shenzhen and has not become involved in factional fighting among the cadres. To date he has not been swayed by Liang Xiang's arguments.

Nonetheless, many cadres feel that it is understandable that a leader sent to a new locale would want to bring with him people he knows to help him in his new job. The current system in fact makes it difficult to work if one does not follow this practice. Things would be fine if a new leader would only do his job obeying the law and government policies, avoid forming cliques and cozying to factions, and work with all the cadres to do a good job with enthusiasm and a sense of morality.

**It is Not Entirely Untrue that Preferential Policies Are Hard To Come By.**

The creation of Hainan Province has proceeded as expected, almost all levels of the cadres have been assigned, and a new administration has started work. In Hainan, however, the people are mistrustful. Abroad, investors pace back and forth and look on, showing little interest in investing. There is no solution to either the internal or external problem.

I have already talked about the reasons for the internal problem. The main reason for the external problem is that the authorities have not yet announced various laws and regulations. Hence foreign investors are all waiting for the policies to be determined.

The creation of Hainan Province this time is not like the opening up of Hainan last time. Previously, the central authorities only laid down the policy and left everything else to the Hainanese to work out. This time, the central authorities are not only laying down the policies, they are also deciding the duties and making the plans. The problems are thus much more complicated than for most special economic zones.

At the end of last year and the beginning of this year, the Central Committee sent China Academy of Social Sciences vice president Liu Guoguang and 13 researchers to Hainan to carry out a month-and-a-half-long study. They produced a "General Report on a Study of Hainan's Economic Development Strategy" and nine separate reports. Many reports discuss guidance plans and tasks for Hainan's future development. For example, the reports prescribe various steps for Hainan's development as well as the division of labor among Hainan's counties and cities. As another example, the report stipulates that the goal of Hainan's economic development strategy is to use opening-up and reform to stimulate development, bring about a guided socialist market economy, and in the end create an economic development zone that is comprehensive and export-oriented; in which primary, secondary, and tertiary industry are well balanced; and where industry, agriculture, trade, and

tourism coexist, with industry being the most important. With vigorous effort, in twenty years or slightly more, Hainan should attain the level of development Taiwan was at in the early 1980s.

A knowledgeable source said that this report was not produced by seeking truth from facts, that is, drawing conclusions from the objective situation. Rather, the report smacks of one written to give the authorities what they want to hear.

In 1983 when granting Hainan more autonomy and preferential treatment than that accorded other special economic zones, Deng Xiaoping said that Hainan should catch up with Taiwan in twenty years.

A single "automobile incident" would impede Hainan's progress by 5 years. How easy it is to talk about catching up in 20 years! After Liu Guoguang and his researchers went on site to investigate, they knew the task was impossible. Although they were ordered to go, the best they could do was to water down the former "imperial decree" by saying in their report, "with vigorous effort, in twenty years or slightly more". They also changed "catch up with Taiwan" to "should attain the level of development Taiwan was at in the early 1980s". What started out as an objective research expedition still ended up as a promise to the leaders. The scholars of mainland China are a pitiful bunch indeed!

Judging from the current situation, Hainan's economy will continue to be a planned economy in the future. There is no chance that a truly free market economy will develop. Hainan may even have difficulty developing the kind of market economy we now find in Shenzhen. Many people feel that although the Communist Party would like for Hainan to take off and surpass Shenzhen, its desires are political and are not for the well-being of the people of Hainan. Because the party does not trust the Hainanese and will not give them power, it will in the long run hinder Hainan's development.

Hainan faces unlimited obstacles and endless problems in its development.

## NATIONAL AFFAIRS, POLICY

### Discussion of Reform Concepts, Enterprise Responsibility System

40060407 Chongqing GAIGE [REFORM] in Chinese  
No 3, 10 May 88 pp 14-18

[Special Commentary by Wang Jiye 3769 4480 2814:  
"Basic Reform Concepts and the Enterprise Contract  
Responsibility System"]

[Text] *Abstract—The presence of the market and its maturity are the marks which differentiate a commodity economy from a product economy. The presence of the market and its ability to manifest its regulatory effects mark the basic difference between the new and the old economic management systems. In an administrative hierarchy which descends from "state to market to enterprise," the market is the most crucial link in the new system. The enterprise contract responsibility system, however, is set up according to a hierarchy which ascends from "enterprises to market to state," and it takes off from the reform concept of building a microeconomic base, and therefore the system is faced with many contradictions. For example, the system needs relatively stable prices but this contradicts the introduction of market mechanisms and competitive prices; contracting enterprises are torn between accumulation and consumption of their retained profits; and there is a conflict between enterprise development and the improvement of the industrial structure. As a reform measure, the contract management responsibility system is not perfect, and in promoting the system, we must bring in more and more market mechanisms to make enterprise behavior consistent with the new economic mechanisms, so that eventually the system will get on track and follow the "state to market to enterprise" pattern.*

One basic problem facing China's restructuring of the economic system is how to make the transition from the product economy to the planned commodity economy, and the market lies at the heart of this issue. The old economic system was flawed in many ways, and above all, it was a mode of product economy which rejected the market. Whether the new economic system can survive depends on the development and perfection of the market. This is determined by the very nature of the commodity economy. A commodity economy is an economy where product exchange takes place in the market. The producers are expected to produce goods for the market, and their behavior is governed and regulated by the market. The market is the testing ground of their efforts, and price is the standard which gauges their economic performance. Therefore, the presence of the market and its maturity are the marks which differentiate a commodity economy from a product economy.

From the economic management perspective, under the old system, the state mainly relied on mandatory plans to control enterprises directly, and it rejected the market and all its mechanisms. The chain of command descends

directly from "state to enterprises." Under the new economic system, the state will increasingly, or mainly, rely on the market to apply indirect control, and so the market is wedged between the state and enterprises to form a new "state to market to enterprises" hierarchy. Thus the presence of the market and its ability to manifest its regulatory effects mark the difference between the new economic management mode and the old mode.

On those bases, we should acknowledge that the market is the critical link in the new system and is the primary issue facing the reform. Enterprise reform, including efforts to turn enterprises into financially independent commodity producers and operators, is important, but compared to the market issue, that is a minor league problem. It is exactly because the whole economy is making a transition from a product economy to a commodity economy and the whole management system has to be converted from a direct control into an indirect control system, with the market acting as the intermediary, that the economic activities of enterprises must turn and face the market, and only through the market, or by meeting the requirements of the market, can enterprises become autonomous and financially independent. If enterprises reject the market, or if there is no market, enterprises cannot become true commodity producers and operators. Improving macroeconomic control is also important, but compared to the market, it too is a minor issue. The market, again, lies at the heart of the change from direct to indirect control at the macroeconomic level. Without the market, the change in macroeconomic functions and regulatory methods cannot take place, and there will be no new macroeconomic control system to speak of. It is understandable that among the new economic mechanisms put forward by the 13th Party Congress which "let the state regulate the market and the market guide enterprises," the market is the critical link which carries on a tradition and also sets a precedent. It is the key and the focus which gives impetus to the reform. Without a gradually maturing and healthy market and a generally reasonable pricing system, the key factors of production cannot circulate and assemble properly, optimal allocation of resources cannot be realized, and we will not be able to improve economic performance and achieve the reform objective. Therefore, the restructuring of the economic system should begin by focusing on the reform of the pricing system and complement that with a series of reforms, including financial, taxation, and banking reforms, to create a proper macroeconomic climate for the thorough reform of enterprises, and provide new regulatory measures for the improvement of macroeconomic control. This is the basic reform concept derived from the abstract idea of letting "the state regulate the market and the market guide enterprises," that is, it is based on the "state to market to enterprises" hierarchy.

Of course, from another perspective, we can also formulate a basic reform concept where the hierarchy is reversed—from enterprises to the market and to the

state. In this hierarchy, enterprises form the base link, and they should become socialist commodity producers and operators as well as lead players in the market; they are also the microeconomic base for macroeconomic control. Enterprise reform problems can be narrowed to two elements. One, enterprise rights of self-determination, and two, a good external environment. These two elements in turn influence each other and are closely related to each other. Enterprise decisions are invalid despite their autonomy if good external conditions are absent. Whether an enterprise has made the correct decision is gauged by its efficiency, but enterprise efficiency is judged by the market and is determined by how well the enterprise responds to market competition and price signals. On the other hand, the healthy development of the market is hinged on the degree of enterprise autonomy and on the ability of enterprises to take care of their own profits and losses. It is also dependent on the extent of commercialization of enterprise products and the means of production. Because enterprises play the dominant role in the market, and they often serve as each other's market, one form of enterprises begets the same form of market. The condition of enterprises determines the scope and the scale of the market as well as the characteristics of the market at each phase of its development. For example, we do not know whether this kind of market is national or regional, or whether it is developing from a regional into a national market. Only practice can furnish the answer. But we know that the scope, and the degree of freedom, of this kind of market will be different from the kind derived from the other reform concept which is based on the "state-market-enterprise" hierarchy. Moreover, the way the state regulates this kind of market, and the resulting direct regulations and their indirect ramifications, will also be different from other reform concepts. This is a reform concept which starts out with the building of a microeconomic base. Enterprise contracted management responsibility system is a laudable attempt to put this concept to practice.

Comparing the two reform concepts, it is not difficult to discern that the way we treat the relationship among the state, the market, and enterprises will affect the correct selection of what elements to emphasize in order to make the reform more thorough, and it will also affect the smooth transition from the present economic functions to the new functions. And yet, whether we are concerned with more thorough reforms or with the realization of the long-term goals of reform, we cannot cling to both the old and the new systems. The old system still has strong effects. Direct control is still the primary way of controlling the large and medium enterprises under the people's ownership system. And as the new system gradually matures, the market's regulatory effects grow stronger and more expansive. Amid these complicated economic conditions, attempts to put enterprises on a new track, complete with market competition, business autonomy, and financial independence to expedite the transition from the old to the new system, will naturally attract people's attention. The difficulty lies in the irrational

setup where government and enterprise are inseparable and ownership and operating rights are integrated. Under these conditions, enterprises have no right of self-determination and have no initiative or enthusiasm in improving operation. They are not concerned with the market or their own economic performance. The promotion of the enterprise contracted management responsibility system is a good way to separate the rights of ownership and operation and is the practical choice for getting rid of the old structure. The system provides the most basic conditions for enterprises to become autonomous and financially independent and to engage in competition. As for whether enterprises can get on the right track will depend on whether the adoption of this system can amplify enterprises' internal mechanisms, especially their ability to respond quickly to market directions. During the transition between the old and the new systems, because market prices cannot provide the correct guidance, it will take a fairly long process to put enterprises on the right track. Thus, the enterprise contract responsibility system inevitably is two-toned. It has the vestiges of the old system and the burgeons of the new system. The former is manifested in the way contract bases are determined and the way retained profits are apportioned. They are worked out through a process of haggling between the proprietor and the operator, not according to market principles nor through market mechanisms, and inevitably certain characteristics of administrative control are present. The latter is manifested in the enterprises' achievement of greater autonomy in business matters. The production of marketable goods and profit maximization have become the objective and standard for evaluating enterprise activities. Thus, during the transition period, the pursuit of the contract management responsibility system must deal with many contradictions. The following are several aspects from the macroeconomic control perspective:

**Profit and prices.** The contract management responsibility system is a comprehensive contract, and the basic objective is to contract for profit. Profit is the ratio of capital input to output; it reflects the efficiency of fund utilization. Based on the criterion of improving enterprise economic performance, except for those enterprises which are incurring losses, the objective of all enterprises is to increase the rate of profit. The calculation of contractor's profit, however, is based on current prices, and under the circumstances, it is possible to increase profit by raising prices rather than improving economic performance. On the other hand, the contract responsibility system needs relatively stable prices and requires enterprises to comply diligently with the state's pricing policy and refrain from raising prices, overtly or covertly. Since total demand substantially exceeds total supply, it is very difficult to meet the condition of providing enterprises with stable prices, and this opens the door for them to deliver the contracted profit by raising prices. However, the development of the contract responsibility system requires the bring in of market mechanisms (mainly the pricing mechanism) and requires enterprises to respond to market guidance and

engage in price competition; otherwise, the system cannot get on the track of the new economic system. Yet, if the key factors of productions respond to the market mechanisms, it will lead to higher costs and higher prices, and this will shake the very foundation of stable prices needed by the contract responsibility system. This poses a major problem in the development of the system.

**Consumption versus accumulation.** From the macroeconomic perspective, the allocation of enterprise retained profit is mainly a question of consumption versus accumulation. Under the private ownership system, and because of market competition, capitalistic enterprises have a tendency to seek profit and emphasize accumulation. In China's people's ownership system, especially among the medium and large enterprises, the practice of the contract management responsibility system no doubt has increased total supply, but at the same time, we cannot deny that it also has a tendency to stimulate greater consumption. To avoid this situation, the state can stipulate the ratio of retained profit allocations, and basically set the proportions for production development, incentive, and welfare funds, or even emphasize that a substantial portion of the retained profit earned after entering a contract must be designated production development fund. This kind of stipulation, however, is inconsistent with the economic mechanisms, and in fact it has a strong administrative overtone. We want the profit motive in the contract management responsibility operation to generate an economic mechanism which will restrain enterprise consumption and encourage accumulation of their retained profit. With this kind of self-restraining mechanism, the adjustment of allocation of retained profit will not come from external forces; instead it will stem from enterprises' own initiative. To establish such an internal economic regulatory mechanism, on the one hand, the income of the contractor and of the staff and workers should be linked to the profit level, and more precisely, it should be linked to the portion of profit reserved for accumulation or investment. On the other hand, the state should extend favorable tax and credit terms for the portion of retained profit intended for accumulation or investment, to encourage enterprise investment and accumulation. If the problem of enterprise accumulation and consumption can be successfully resolved internally, then at the macroeconomic level, the allocation of national income, and even the balance of total supply and demand, will have a solid foundation. On the other hand, if enterprise allocate most of their retained profits to consumption, even if accumulation is emphasized at the macroeconomic level in hopes of perpetuating economic development, the effect will be minimal, because as the restructuring of the economic system becomes more thorough, the main body of accumulators will become more diversified and pluralistic. The state will control less and less accumulation funds directly, and most accumulations will be done by enterprises themselves; they will become the main body of accumulators. Because of this trend, it is necessary to emphasize enterprise accumulation, not only for the sake of enterprise development, but also to

ensure the long-term steady growth of the national economy. Thus, the practice of enterprise contracted management responsibility system encourages enterprises to increase supply, and this necessitates more investments, and the source of investment funds is accumulation. This is the basic link which maintains the necessary rate of economic development and price stability in this country. Thus, enterprises are the foundation of total supply and demand equilibrium. If we do not look at enterprises from the perspective of how they allocate their retained profit between consumption and accumulation, we are concentrating on the trivial and neglecting the important.

**Accumulation and structure.** Let us set aside the issue of enterprise accumulation versus consumption and just assume that all enterprises have a preference for accumulation. Under this situation, the enterprise contract management responsibility system will have little effect on structural adjustment and cannot influence the use of accumulation funds or the direction of investment. In general, relying on the market to guide investments is clearly effective in the short-term allocation and optimization of resources, but in long-term allocation and optimization, it falls short of expectations. Here we are referring mainly to the low-profit infrastructure constructions and the basic industries. Even for short-term resource allocation, under the enterprise contract responsibility system, enterprise response to market direction is weak. The introduction of market mechanisms in the contracting enterprises may produce outstanding results in adjusting and improving the product-mix. However, for adjusting the business structure and industrial structure, because enterprise retained profit is limited, the effects are minimal. This is because the modification of the industrial structure hinges on economic development strategies and on the correct choice of industrial structure policy. Only under the guidance of a correct industrial structure policy can the promotion of the enterprise contract responsibility system have an effect on structural improvement. Without this policy, it is not practical to expect the system to improve the industrial structure, no matter how the retained profits are allocated. As for the portion of profit turned over to the government, besides satisfying needs in the non-production realm, the state's spending on expanded reproduction consists mainly of investments in key construction and major technological transformation projects, and these investments have definite effects on modifying the industrial structure. However, the industrial structure is primarily made up of the existing fund stock, and this is both the crux and the difficulty in adjusting the industrial structure. Adjusting the incremental funds naturally has positive effects on the industrial structure, but compared to the adjustment of stock portion, it serves very little purpose. The implementation of enterprise contract management responsibility system can in part improve the structure of the incremental funds, but the stock portion is often frozen. To be sure, in the enterprise contract responsibility operation,

we must vigorously develop lateral ties among enterprises, but this mainly induces the plow-back of the incremental profits and the proliferation of products and technological integration. It is mainly the adjustment of the product-mix which effects a change in the existing stock of funds. Recently, merger contracts have become popular in some localities. This is enterprise contracting with enterprise, that is, the technologically advanced, highly competitive, and profitable enterprises contract with enterprises which are losing money and facing dim prospects. Merger contract is the transfer of assets with compensation, and it solves the problem where some enterprises are seeking to expand while others are fighting for survival. It provides a new way to adjust the fund stock. But we must realize that merger contract is the combination of merger and contract responsibility; the two are of a different nature. Merger is the transfer of property rights, but contract responsibility is the separation of proprietary rights from operation rights without changing the property rights. There is a difference. Yet, merger is not the result of a more advanced contract management responsibility system. After the merger, the enterprise still has contract responsibilities, although it operates on a larger scale and a broader base. This marks the relationship between merger and contract responsibility. Merger contracts facilitate the adjustment and improvement of the industrial structure, but they have certain limitations. At present, not all low-profit enterprises, or even those incurring losses, are hopeless enterprises facing elimination. Under an irrational pricing system, overall profitability should not be the principal criterion for adjusting the industrial structure. China's basic industries have always generated low profit, but these are the very industries which should be vigorously strengthened. Processing industries generate the most profit, but because their demand for energy and raw and processed materials far exceeds the supply, control and adjustments have become necessary. This clearly shows that merger contracts are best among enterprises which are in the same trade or when losses incurred by the enterprise are due to factors other than price. The positive effects of merger contracts on the industrial structure is also limited in this sense. At the microeconomic level, the adjustment and improvement of the overall industrial structure, such as the tertiary industry, industry and agriculture, light and heavy industries, and the basic and processing industries, as well as the adjustment and perfection of the regional structure, must rely on the promotion of the enterprise contract management responsibility system to modify the product-mix and the structure of some trades, but at the macroeconomic level, we have to rely on the country's long-term development strategy and a comprehensive industrial policy, and we must properly integrate development and reform.

Reform measures are never perfect. They are expected to solve too many problems. This holds true for the enterprise contract management responsibility system too. The main advantage of this system lies in its ability to facilitate the separation of ownership and operation rights. No other measure can accomplish this task, and

we must seize this basic point. With the realization of the separation of the two rights under the contract responsibility system, we can stimulate all enterprises, whether they are profitable or not, regardless of how much profit they are generating, and regardless of their sizes. All enterprises will be thrown into the torrent of reforms. They will be fully immersed in the reform process, and in the process they will weaken the unfair conditions imposed on them by past state investment practices, and all enterprises will be made equal. Therefore, in setting parameters for enterprise contract profit, not only should we consider the present profit level, or the profit levels of the past few years, but we should also make adjustments based on past investments made by the state. We should also comply with the intent of the state's industrial policy and set low profit parameters for enterprises the state is anxious to develop, and set high profit parameters for enterprises the state is ready to eliminate or restrain. In this way, the state's industrial policy can permeate the contract responsibility system. Under this premise, linking the income of the contract operator and the staff and workers with profit remittance will fully tap enterprise production and operation potentials and increase society's total supply. Yet, from the point of the long-term development objective of the reform, the contract responsibility system embodies certain transitional characteristics. Administrative interventions may have weakened but have not entirely been eliminated. If a contract is too restrictive and too demanding, it is another way of imposing harsh administrative restrictions on enterprises. To avoid this undesirable situation, and also to facilitate the introduction of market mechanisms, the contract quota should be reasonable and should give equal consideration to the state, enterprises, and the staff and workers. The contract should emphasize profit remittance to the higher authorities and the apportionment of retained profits to production development fund and incentive fund. Even then, enterprise contract responsibilities cannot be standardized. Under a dual system, the pursuit of standardized contract responsibilities may be an impossible goal, but we are not ruling out the possibilities of partial standardization or implementation of a standardized contract of limited scope. For example, some trades and some regions have set fairly standard ratios for the contract base but permit fluctuations within a certain range to produce a relatively standardized contract.

The future of the development of the contract management responsibility system, and whether the system will get on the right track which "lets the state regulate the market and the market guide enterprises," will depend, first, on the progress of the introduction of market mechanisms into the contracting enterprises. If market mechanisms can gradually replace individual administrative-style haggling, the transition to the new way of operation will be fairly easy. Secondly, it will also depend on the maturity of the market. We can hope, but it is not likely that we will have a highly developed market within the near future, but a preliminary form of a perfect market is attainable. If we draw support from



the strength of the reform to loosen the grips of the old system on some economic activities which should be regulated by the market, we can surely expand the scope and the capacity of the market. On this basis, and as society's division of labor and its process of specialization develop, and with the thorough restructuring of the economic system, the market will enter a more advanced state. If we look at the maturity of the market as a gradual process, we can avoid setting standards too high for the reform of the pricing system, making the reform process even more difficult, and we can also introduce elementary market mechanisms into the enterprise contract responsibility system, or even introduce many of these mechanisms, so that enterprises adopting this system can gradually link up with the new economic mechanisms. The point of contact is the overall reasonable prices. Thus, we return to the issue of price reform. If prices drawn into the contracting enterprises are distorted, the enterprise contract responsibility system is unlikely to get on track with the new economic mechanisms.

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#### **Social Groups' Buying Power Increases**

*OW1908170788 Beijing XINHUA Domestic Service in Chinese 1314 GMT 18 Aug 88*

[Text] Beijing, 18 Aug (XINHUA)—Last February, the State Council issued an emergency circular that stated: This year social groups' purchasing power must be cut by 20 percent by all possible means. However, the latest news from the State Statistical Bureau is that from January to July this year, social groups across the country purchased consumer goods totalling 36.83 billion yuan, up 19.8 percent from the corresponding period of last year. This is precisely the opposite of the state's demand. The sum 36.83 billion yuan is even larger than this year's educational funds and urban maintenance and construction fees by 297 million yuan.

"If you don't go to dinner, you are being polite for nothing. If you do, you just have a free dinner. Only idiots don't go to a free dinner." This may be too sarcastic, but it more or less explains the social phenomenon and mentality of squandering public funds, luxury and waste. Large amounts of social wealth are flowing through this channel into the boundless ocean of desire for consumer goods.

Today, in large and medium restaurants in all localities in China, almost every day you can find dozens or hundreds of guests eating and drinking extravagantly. How many of those drinking noisily at banquets will pay out of their own pockets? According to the State Statistical Bureau's statistics and analysis, currently 60 percent to 70 percent of a large or medium restaurant's business earnings come from banquets paid for with a group's public funds. Many organizations, bodies, enterprises, and undertakings wine and dine out under various pretexts. The consumption volume of groups' "edible" commodities is increasing by large margins each year.

"More cars are imported." This probably has been the "remarkable change" of most units obvious to all in the past few years. It is not at all surprising to see a poor county, which relies on the state's financial subsidies, own several "Crowns." According to statistics from the Office of the State Control of Social Groups' Purchasing Power, there has been a steady increase of groups' purchases of cars and other high-grade durable consumer goods in the past few years, and the sales volume of motorcycles, color TV sets, air conditioners, sofas, rugs, and other commodities under special control has doubled and redoubled. The sales volume of VCR's in 1987 rapidly increased by 12.6 times over 1982.

The more often the buying power of social groups expands, the more often the buying power is put under control. The more often the buying power is put under control, the more often it expands. It is very hard to guard against the "expanding disease" of social groups' buying power because there is more to it than meets the eye, such as keeping "chaotic accounts" for a unit's own funds; establishing numerous organizations to increase expenditures; opening loopholes in the system when "putting buying power under control."

Scrambling with residents for the supply of goods and causing the prices of some commodities to rise are the most direct consequences of the expansion of social groups' buying power. The style of parading one's wealth, striving for grandeur, and living in luxury also causes people to become corrupt, ask for and take bribes, and profiteer.

The people's worries and concerns are deep. Cutting social groups' buying power and firmly curbing the style of luxury and waste have been the outcry of the people for a long time.

## **PROVINCIAL**

#### **Fujian Sets Up Shareholding Bank**

*OW2708135088 Beijing XINHUA in English 0931 GMT 27 Aug 88*

[Text] Fuzhou, August 27 (XINHUA)—A commercial bank which will operate under the shareholding system opened today in this capital city of Fujian Province.

As an economic entity with the status of a legal person, it is operated under a board of directors and assumes sole responsibility for its own profits and losses.

So far, it has 38 shareholders who have bought common stocks totaling 38.5 million yuan and 27 million U.S. dollars.

The bank, with a registered capital of 1.5 billion yuan, deals with investment and trust, stock exchange and



foreign exchange transactions, apart from traditional banking business. Guangdong Exports, Other Economic

**Guangdong Exports, Other 'News Briefs'**  
*OW2408120988 Beijing XINHUA in English*  
1058 GMT 24 Aug 88

[Text] Beijing, August 24 (XINHUA)—Today's economic news briefs:

**Foreign Trade**

Guangdong Province exported 4.2 billion U.S. dollars worth of goods in the first seven months this year, fulfilling the 1988 annual quota five months ahead of schedule.

Exports of fish, vegetable, tea, cotton cloth, garment, silk and traditional Chinese medicines were 10 million U.S. dollars more than that for the same period last year each.

**Output**

The output of salt, sugar and aluminium yielded by Xinjiang Uygur Autonomous region in the first seven months this year was 160, 45 and 90 percent higher than the same period of last year.

**Foreign Investment**

Forty-eight foreign-funded enterprises were started in the Guangxi Zhuang Autonomous Region in the first half of this year. These involved 46.9 million U.S. dollars, 5.4 times the figure for the same period of last year.

The newly enterprises cover light, food, textile, machinery, electronics and chemical industries.

Most investors came from Japan, Thailand, Hong Kong and Macao.

**Shanghai Begins Housing Reform Survey**  
*OW1508074488 Beijing XINHUA in English*  
0634 GMT 15 Aug 88

[Text] Beijing, August 15 (XINHUA)—A city-wide investigation of housing conditions is under way in Shanghai with the view to making a plan for housing reform, the PEOPLE'S DAILY said today.

Shang Ronglin, director of the city's Housing Administration Bureau, says that the study will cover all city-owned houses and registered households and involve 1.8 Million households, 4 million employees and one million retired employees as well as 100,000 enterprises and administrative units.

It is the largest housing probe conducted in Shanghai since 1949.

In 1986, a housing survey was done on one percent of the city's registered inhabitants. But Shang said the sample was too small to provide a basis for housing reform.

The most pressing issue is to develop new guidelines for rents. Recently Jiang Zheming, the city's party secretary, said that the reform will require those who occupy more space to pay more rent, regardless of rank.

The study is expected to be completed in three months and reform the plan formulated by the end of this year.

**FINANCE, BANKING**

**Communications Bank Issues Bonds in Singapore**  
*OW1808035088 Beijing XINHUA in English*  
1341 GMT 17 Aug 88

[Text] Shanghai, August 17 (XINHUA)—China's Communications Bank issued 100 million U.S. dollars worth of five-year bonds in Singapore today.

This is the first time for the bank to issue bonds abroad, a high-level government official announced, adding the bonds, which have an interest rate of 9.375 percent, were bought by 23 banks and stock companies from Asia, Europe and the United States.

The bank, which is based in Shanghai, has decided funds collected from the bond sales will be used for Shanghai's municipal construction and technological renovation, the official said.

Since starting up business again two years ago, the bank has established links with 158 banks overseas and handles accounts for 38 banks.

**Second Quarter Gold, Foreign Borrowing Reported**  
*HK2508115988 Beijing CEI Database*  
in English 25 Aug 88

[Text] Beijing (CEI)—Following is a chart showing the exchange rates, foreign exchange reserves, gold reserves and foreign borrowings in the second quarter of this year, released by the People's Bank of China.

	April	May	June
Exchange Rates (in yuan)			
Special Drawing Right (end of period)	5.1540	5.1041	4.8774
One U.S. dollar (end of period)	3.7221	3.7221	3.7221
One U.S. dollar (average)	3.7221	3.7221	3.7221
Gold reserve (in 1,000 ounces)	12670	12670	12670
Foreign exchange reserve (in billion U.S. dollars)	17.533	17.797	18.078
of which: state foreign exchange reserve	4.659	4.764	4.984
Amount outstanding of the Bank of China	12.874	13.033	13.094
State Foreign borrowings outstanding	9.853	9.994	10.218

**Provisional Stamp Tax Regulations**

*OW1208091488 Beijing XINHUA Domestic Service in Chinese 1114 GMT 11 Aug 88*

[Text] Beijing, 11 Aug (XINHUA)—Provisional Regulations of the People's Republic of China Governing Stamp Tax

Article 1: Units and individuals issuing or receiving vouchers listed in these regulations within the domain of the People's Republic of China are stamp tax obligors (hereinafter referred to as taxpayers) who have the obligation to pay stamp tax according to these regulations.

Article 2: The following vouchers are taxable vouchers:

1. Contracts, or vouchers with the nature of contracts, governing purchasing and marketing, processing, construction, property rental, cargo delivery, storage, loans, property insurance, and use of technology;
2. Documents on property transfer;
3. Books of business accounts;
4. Franchises and licenses; and
5. Other certificates the Ministry of Finance deems taxable.

Article 3: Stamp taxes to be paid by taxpayers are calculated on the basis of proportional tax rates or fixed rates for each voucher in accordance with the nature of the taxable vouchers. Specific tax rates are determined according to the "Chart of Stamp Tax Categories and Tax Rates" attached to these regulations.

A voucher requiring less than 1 jiao of stamp tax is tax exempted.

A voucher requiring more than 1 jiao of tax shall have the tax rounded off: The odd amount below 5 fen shall be discounted; the odd amount above 5 fen shall be taxed as 1 jiao.

Article 4: The following vouchers are stamp tax exempted:

1. Duplicates or transcripts of vouchers which have already been taxed;
2. Documents issued by property owners concerning the transfer of property to the government, social welfare units, or schools as gifts; and
3. Other certificates authorized by the Ministry of Finance as tax exempted.

Article 5: The payment of stamp taxes shall be made in the following way: According to regulations, the taxpayers shall calculate the payable amounts, purchase revenue stamps (hereinafter referred to as stamps) indicating the full amount of taxes, and affix them on the vouchers.

For the sake of simplifying the payment, the taxpayers whose tax payments are large and frequent may submit a request to the taxation authorities to substitute the stamps with letters of payment or by paying lump sums at regular intervals.

Article 6: The stamps should be affixed on the vouchers, and the taxpayers shall cancel each of them by putting a seal, or by handwriting, across the edges between the stamps and the vouchers.

Used stamps may not be reused.

Article 7: Stamps shall be affixed to taxable vouchers at the same time they are issued and received.

Article 8: If each of the two or more parties signs and holds a copy of the same voucher, each of them shall affix all the needed stamps on his copy.

Article 9: If a stamped voucher is altered to indicate a larger amount of money, additional stamps shall be affixed to the voucher to indicate to additional amount of money.

Article 10: Stamp taxes are collected and managed by taxation authorities.

Article 11: Revenue stamps are printed under the supervision of the State Taxation Administration. Their denominations are indicated by Renminbi.

Article 12: Units which issue or handle taxable vouchers have the obligation of supervising taxpayers' tax payment.

Article 13: If a taxpayer commits one of the following actions, he shall be punished by taxation authorities based on the seriousness of the case:

1. If he fails to affix stamps—or fails to affix enough stamps—on the taxable voucher, the taxation authorities, in addition to ordering him to affix the additional stamps, may impose on him a fine of up to 20 times the unpaid amount;
2. If he violates the Paragraph 1 of Article 6 of these regulations, the taxation authorities may impose on him a fine of no more than 10 times the amount on the stamps that have not been cancelled with a stamp or handwriting; and

3. If he violates the Paragraph 2 of Article 6 of these regulations, the taxation authorities may impose on him a fine of no more than 30 times the amount on the reused stamps. Anyone who fabricates stamps shall be brought to the judicial authorities by the taxation authorities to have his criminal responsibility investigated.

Article 14: Stamp tax shall be collected and managed according to rules prescribed in the "Provisional Regulations of the People's Republic of China Governing the Collection and Management of Taxes," as well as rules prescribed in these regulations.

Article 15: The Ministry of Finance is responsible for interpreting these regulations and for formulating the detailed rules for implementation.

Article 16: These regulations become effective on 1 October 1988.

**APPENDIX:**  
**Chart of Stamp Tax Categories and Tax Rates**

1. Tax Category:	Marketing and supply contracts
Scope:	Including contracts on supply, advance purchasing, procurement, cooperation, adjustment, compensation, barter
Tax Rate:	Affix stamps for the amount of .03 percent of the purchasing and marketing prices
Tax obligors:	Contractors
2. Tax Category:	Processing contracts
Scope:	Contracts governing processing orders, orders for custom-made goods, refurbishing, repairing, printing, advertising, surveying, testing services
Tax Rate:	Affix stamps for the amount of .05 percent of the revenues from these services
Tax Obligor:	Contractors
3. Tax Category:	Contracts governing construction survey, designing
Scope:	Contracts of survey and design
Tax Rates:	Affix stamps for the amount of .05 percent of the service charge
Tax Obligor:	Contractors
4. Tax Category:	Contracts of construction and installation projects
Scope:	Contracts of construction and installation projects
Tax Rate:	Affix stamps for the amount of .03 percent of the contract values
Tax Obligor:	Contractors
5. Tax Category:	Property rental contracts
Scope:	Contracts on rental of houses, ships, airplane, motor vehicles, machinery, apparatus, equipment
Tax Rate:	Affix stamps for the amount of .01 percent of the rental. If the amount of tax is less than 1 yuan, affix a 1-yuan stamp.
Tax Obligor:	Contractors
6. Tax Category:	Contract of cargo delivery
Scope:	Contracts on civil aviation, railway, maritime, river and highway transport, and relay transport

**APPENDIX:**  
**Chart of Stamp Tax Categories and Tax Rates**

Tax Rate:	Affix stamps for the amount of .05 percent of the freight
Tax Obligor:	Contractors
Remarks:	Stamps are affixed on shipping documents, if they are used as contracts
7. Tax Category:	Storage contracts
Scope:	Storage and keeping contracts
Tax rate:	Affix stamps for the amount of .1 percent of the storage charge
Tax Obligor:	Contractors
Remarks:	Stamps are affixed on warehouse warrants or landing accounts if they are used as contracts
8. Tax Category:	Loan contracts
Scope:	Loan contracts signed between loan and banking and other financial institutes (not including day-to-day loans between banks)
Tax Rate:	Affix stamps for the amount of .005 percent of the loans
Tax Obligor:	Contractors
Remarks:	Affix stamps on vouchers if they are used as contracts
9. Tax Category:	Contracts of property insurance
Scope:	Contracts of property and liability insurance, warranty, credit insurance
Tax Rate:	Affix stamps for the amount of .003 percent of the insured amount
Tax Obligor:	Contractors
Remarks:	Affix stamps on vouchers if they are used as contracts
10. Tax Category:	Technical contracts
Scope:	Contracts of technology development, transfer, consultations, services
Tax Rate:	Affix stamps for the amount of .03 percent of the contract values
Tax Obligor:	Contractors
11. Tax Category:	Documents of property transfer
Scope:	Documents governing the transfer of ownership of property, copyright, trademarks, patents, use of special technologies
Tax Rate:	Affix stamps for the amount of .05 percent of the stated amount of money
Tax Obligor:	All undersigned parties
12. Tax Category:	Books of business accounts
Scope:	All books and records of production and business
Tax Rate:	Affix stamps for the amount of .05 percent of the original values of fixed assets and floating capital recorded in the accounting books; affix a 5-yuan stamp on each of other books of business accounts
Tax Obligor:	Account holders
13. Tax Category:	Franchises, licenses
Scope:	Housing titles, business licenses, trademark registrations, patent papers, and land use licenses issued by government departments
Tax Rate:	Affix a 5-yuan stamp to each of the documents
Tax Obligor:	All recipients

**Interest Rates To Rise Beginning 1 Sep**  
*OW1608152288 Beijing XINHUA in English*  
*1431 GMT 16 Aug 88*

[Text] Beijing, August 16 (XINHUA)—The People's Bank of China will raise interest rates on loans and deposits beginning September 1, with the annual interest rate on one-year individual time deposits to climb from 7.2 to 8.64 percent.

According to Hong Yunchen, the bank's spokesman, the annual interest rate on two-year individual time deposits will be 9.18 percent, with the annual interest rate on three-, five-, and eight-year individual time deposits to go up to 9.72, 10.80, and 12.42 percent respectively.

Hong also said, enterprises and administrations will enjoy the same interest rates on deposits as individuals after the bank readjusts interest rates.

Interest rates on loans will also be raised, with the annual interest rate on one-year loans for circulating funds and fixed assets to be raised to nine from 7.92 percent.

To support the development of the energy, transportation and building materials industries, interest rates on loans to infrastructure construction in the country's special economic zones and areas designated for economic development will remain unchanged.

Increases in bank interest rates on loans and deposits are aimed at stabilizing deposits and controlling the increased demand for loans, Hong said, adding existing interest rates have lagged behind price increases.

**Bank Official on Tighter Currency, Credit Controls**

*OW2108123888 Beijing XINHUA in English*  
*0650 GMT 21 Aug 88*

["It Is Urgent To Control Currency, Stabilize Finance, Says People's Bank of China Official"—XINHUA headline]

[Text] Beijing, August 21 (XINHUA)—Deputy Governor of the People's Bank of China (PBC) Liu Hongru, calls for tightening the control on currency and credit so as to bring into full play the role of finance over economy and cope with inflation, today's PEOPLE'S DAILY reported.

At a meeting of presidents of the PBC branches that closed here Friday, Liu said that the outstanding problem in China's economy this year is sustained price rises and excessive increase of currency and credit.

The figures released at the meeting show that from August 1 to 15, about 7.314 Billion yuan were put into circulation, 2.675 Billion yuan more than the sum for the same period last year.

In the first seven months this year, the loans of the banks increased by 69.64 Billion yuan, 44.85 Billion yuan more than in the corresponding period last year.

If the sharp increase of currency and credit remain unchecked, it will add difficulties to China's reform next year and be hard for the economy to stabilize, said the deputy PBC governor.

So he stressed that it is necessary to control the scale of credit and adjust its structure.

In controlling the scale of credit, the reserves against deposit of all specialized banks will be increased to 13 percent and special deposit accounts will be introduced to financial trust and investment institutions so as to weaken the loan-extending capability of specialized banks and other financial institutions.

Meanwhile, the central bank will not allocate funds to make up for the credit deficiency of those banks, and various regions should not put pressure on the banks.

All banks should ensure credit for the purchase of farm and sideline produce, products for export, the production of manufactured goods that are geared to the market needs and for major state capital construction projects, Liu said.

Nevertheless, the investment in fixed assets and the credit for those enterprises with poor economic results should be reduced, and loans to those corporations engaged in goods selling by illegal means, rush-buying commodities and hoarding for speculation should be stopped, he stressed.

All banks must strengthen cash management and improve their methods of accounting, he added.

**INDUSTRY**

**Shanghai Paper Mill Signs Foreign Contracts**

*HK1908130988 Beijing CEI Database*  
*in English 19 Aug 88*

[Text] Beijing (CEI)—The Shanghai Xinhua Paper Mill has signed two supply contracts worth 31.6 million U.S. dollars with a Finland company and a Swedish company recently.

The Finland and Swedish governments have agreed to support the project by supplying interest-free loans.

The paper mill to be set up will produce 25,500 tons of paper pulp and 51,000 tons of paper every year. the total investment of the project is 270 million yuan.

Meanwhile, the mill has also signed a buying-back contract on export-oriented products with a Finland foreign trade company.

**Output of Main Industrial Products Reported**  
*HK0509121288 Beijing CEI Database in English 5 Sep 88*

[Text] Beijing (CEI)—Following is a chart of the output volume of main industrial products in July, 1988, released by the CSICSC.

Item	Unit	1-7/88	7/88	Percent- age over 1-7/87
Bicycle	10,000	2291.43	307.25	-2.21
Sewing machine	10,000 sets	547.50	69.66	-3.57
Watch	10,000	3264.40	516.70	-22.91
TV set	10,000 sets	1279.16	206.50	22.80
Color TV	10,000 sets	500.63	94.46	42.55
Radio	10,000 sets	899.44	106.86	-7.28
Tape recorder	10,000 sets	1196.19	181.75	9.28
Washing machine	10,000 sets	581.83	85.06	-6.65
Camera	10,000 sets	147.02	20.59	23.52
Fan	10,000 sets	2715.64	446.82	13.39
Refrigerator	10,000 sets	370.61	56.11	87.61
Chemical fibre	10,000 tons	72.97	8.46	6.54
Yarn	10,000 tons	266.62	38.14	8.09
Cloth	100 million meters	101.72	14.95	6.84
Silk	10,000 tons	2.65	0.35	-6.03
Silk fabric	100 million meters	8.75	1.21	0.23
Woollen fabric	million meters	152.86	22.65	4.19
Knitting wool	10,000 tons	11.40	1.64	13.32
Sugar	10,000 tons	314.34	0.05	-17.50
Salt	10,000 tons	1316.40	146.10	29.01
Cigarette	10,000 cases	1683.00	200.90	7.42
Machine-made paper and kraft	10,000 tons	631.89	94.03	9.61
Newsprint	10,000 tons	15.30	2.05	-29.91
Anastatic printing paper	10,000 tons	42.26	6.18	4.99
Synthetic detergent	10,000 tons	74.31	10.97	5.43
Bulb	100 million	10.53	1.38	7.01
Gasoline	10,000 tons	1069.80	162.70	4.73
Kerosene	10,000 tons	229.20	30.90	-7.69
Iron ore	10,000 tons	8967.40	1293.20	4.27
Pig iron	10,000 tons	3285.50	459.40	6.30
Steel	10,000 tons	3484.40	482.70	9.61
Rolled steel	10,000 tons	2746.89	374.19	9.32
Wire rod	10,000 tons	452.53	58.54	17.28
Steel plate	10,000 tons	342.61	48.19	2.97
Coke	10,000 tons	2741.20	396.94	6.70
Sulphuric acid	10,000 tons	644.48	90.70	18.05
Sodium carbonate	10,000 tons	147.62	19.04	8.55
Caustic soda	10,000 tons	170.94	24.39	8.66
Ethylene	10,000 tons	71.49	8.91	39.90
Purified benzene	10,000 tons	33.13	4.54	19.60
Synthetic ammonia	10,000 tons	1168.29	159.27	4.01
Fertilizer	10,000 tons	1059.73	143.02	7.99

Item	Unit	1-7/88	7/88	Percent- age over 1-7/87
Nitrogenous fertilizer	10,000 tons	816.25	109.80	4.26
Phosphoric fertilizer	10,000 tons	239.75	32.41	23.67
Chemical pesticide	10,000 tons	12.44	1.71	-24.83
Pharmaceuticals	10,000 tons	11.14	1.61	34.54
Tire	10,000	1686.34	255.66	18.33
Synthetic rubber	10,000 tons	15.84	2.05	20.73
Plastic	10,000 tons	90.79	12.31	5.62
Timber	million cubic meters	28.33	2.50	-8.99
Artificial board	10,000 cubic meters	152.29	22.03	19.72
Cement	10,000 tons	11286.10	1714.70	13.32
Plate glass	10,000 tons	3928.94	544.76	27.53
Power equipment	10,000 kw	504.27	53.10	-0.42
Machine tool	10,000 sets	10.18	1.38	19.62
Precision machine tool sets		749.00	125.00	17.21
Large machine tool sets		2746.00	298.00	22.86
Automobile	10,000	35.	84	5.48
truck	10,000	23.51	3.56	30.47
Tractor	10,000	3.38	0.46	5.96
Small tractor	10,000	82.87	10.34	25.87
Locomotive	set	494.00	71.00	-6.97
Passenger car	set	1165.00	163.00	18.88
Freight car	1,000 sets	13.66	2.04	5.40
Internal combustion engine	10,000 h.p.	3185.90	462.30	28.28
Civil steel ship	10,000 tons	54.29	6.49	-37.22
Computer	sets	144.00	31.00	58.24
Calculator	10,000 sets	203.34	25.61	37.98

**Textile Output Figures for July**  
*HK0609130588 Beijing CEI Database in English 6 Sep 88*

[Text] Beijing (CEI)—Following is a chart showing the textile output in July this year and their comparison with the same period last year (excluding that of silk):

Product	Unit	%8	Percentage over %7
total	billion yuan	9.151	9.52
synthetic fiber	thousand tons	85.8	2.16
cotton yarn	thousand tons	368.2	1.63
cloth	billion meters	1.407	6.32
cotton prints	billion meters	0.650	0.73
woolen fabric	million meters	20.17	1.95
knitting wool	thousand tons	14.633	7.13
gunny sacks	million pcs	89.90	-2.58

**Textile Output for July by Province**  
*HK0709124788 Beijing CEI Database*  
*in English 7 Sep 88*

[Text] Beijing (CEI)—Following is a chart of textile output value by provinces, municipalities and autonomous regions in July 1988, released by the Ministry of Textile Industry.

	%8 (million yuan)	1-7/88 (million yuan)	percentage over 1-7/87
Total	9,151.23	65,984.13	9.52
Beijing	214.20	1,499.44	-13.84
Tianjin	349.77	2,422.54	1.46
Hebei	478.29	3,289.97	15.09
Shanxi	152.29	1,080.34	13.45
Inner Mongolia	90.57	634.01	4.02
Liaoning	629.41	4,543.87	4.85
Jilin	36.44	982.88	5.70
Heilongjiang	189.27	1,528.75	7.91
Shanghai	1,035.38	7,400.63	-1.30
Jiangsu	1,309.93	10,784.70	11.62
Zhejiang	388.05	2,852.00	6.56
Anhui	270.09	1,927.25	9.99
Fujian	152.05	1,114.69	21.10
Jiangxi	144.23	1,036.83	8.33
Shandong	784.60	5,259.79	19.74
Henan	466.57	3,049.90	19.67
Hubei	668.13	4,665.86	6.74
Hunan	271.81	1,936.16	12.13
Guangdong	477.21	3,212.98	35.95
Guangxi	133.68	812.19	12.76
Hainan		[figures not given]	
Sichuan	313.54	2,049.83	11.34
Guizhou	37.77	241.68	19.73
Yunnan	67.32	426.75	10.84
Tibet	0.91	6.02	-7.81
Shanxi	288.33	1,890.17	3.85
Gansu	68.12	462.82	15.12
Qinghai	18.26	132.53	13.45
Ningxia	20.30	131.70	36.22
Xinjiang	94.71	607.85	8.60

**Country To Expand Flax Textile Industry**  
*OW0309194888 Beijing XINHUA in English*  
*1334 GMT 3 Sep 88*

[Text] Beijing, September 3 (XINHUA)—By 1990 China will have 150,000 flax spindles, and it will rank second instead of the seventh at present in the world's flax textile industry.

The country now has eight flax textile enterprises with spindles totalling 47,700, according to sources from the annual meeting of the industry held recently in Heilongjiang Province.

Six of them are in Heilongjiang Province in northeast China. They produce 23 million meters of linen cloth, 2,000 tons of flax yarn and 5,400 tons of linen cotton a year.

Last year the province exported 20 million meters of linen cloth, 80 percent of the nation's total, and earned 52 million U.S. dollars in foreign exchange.

To promote the industry China will build new flax textile mills in a dozen provinces and autonomous regions including Ningxia, Inner Mongolia, Shanxi, Hebei, Sichuan and Guangdong.

Preparations for 48 new projects in the industry are under way and the country's flax spindles will number 150,000 by 1990, the last year of the Seventh 5-Year Plan.

**Guangdong To Establish New Iron, Steel Firm**  
*HK1608131788 Beijing CEI Database*  
*in English 16 Aug 88*

[Text] Guangzhou (CEI)—The Guangdong Metallurgical Industry Corporation and the China International University Foundation reached an agreement on August 11 on establishing the Zhanjiang Iron and Steel Company Ltd..

The company will build an iron and steel works, with annual output of 1.2 million tons of steel in the first stage and 3 million tons in the second stage. Total investment will be 1.7 billion U.S. dollars, of which 1.2 billion U.S. dollars [will be] foreign capital.

The duration for joint-operation will be 35 years. The China International University Foundation will use its profits to set up an university in Zhanjiang.

**Hebei Light Industry**  
*SK1808024688 Shijiazhuang Hebei Provincial Service*  
*in Mandarin 2200 GMT 2 Aug 88*

[Summary] Since the beginning of this year, light industrial enterprises throughout Hebei Province have let reform play a dominant role in the overall work, have positively implemented the full workload method, and have vigorously developed the export-oriented economy, thus promoting the sustained growth of production and the steady improvement in economic results. From January to June, light industrial enterprises throughout Hebei Province fulfilled 2.7 billion yuan in industrial output value, accounting for 52.17 percent of the annual target or showing a 13.47-percent increase over the corresponding period of last year; and realized 434 million yuan in profits and taxes, registering a 22.24-percent increase over the corresponding period of last year. In addition, more than 90 percent of the 2,100 light industrial enterprises throughout the province have introduced the contracted responsibility system of various kinds. In the first half of this year, the value of export commodities delivered by light industrial enterprises throughout the province amounted to 271 million yuan, a 36.44-percent increase over the corresponding period of last year.

## FOREIGN TRADE, INVESTMENT

**Trade Minister Cited on 'Stable' Foreign Debt**  
*OW2308095888 Tokyo KYODO in English*  
0837 GMT 23 Aug 88

[Text] Hong Kong, Aug. 23 KYODO—China's foreign debt situation is relatively stable and is not a cause for concern, a leading government official has said.

China's debt structure, debt servicing and repayments are all comparatively normal and certainly have not reached the danger level, Minister of Foreign Economic Relations and Trade Zheng Tuobin said in Beijing recently, according to the Hong Kong daily WEN WEI PO Monday.

The minister said that foreign borrowings since 1979 totaled 29.5 billion dollars.

Some foreign economists have expressed doubts over China's ability to pay off its debts, especially during the peak repayment period expected in the early 1990s.

While foreign borrowing would be expanded, greater efforts would be made to repay debts with the government paying special attention to repaying medium- and long-term soft loans from other governments and international financial organizations, Zheng said.

China's foreign borrowings were based on three principles, said Zheng, the first being the country's ability to repay.

The other principles were to use foreign capital to develop the economy and to make sure it was used on projects that would enable the loans to be repaid.

**More Enterprises Given Right To Export**  
*OW2808154588 Beijing XINHUA in English*  
1150 GMT 28 Aug 88

[Text] Beijing, August 28 (XINHUA)—More than 70 big and medium-size enterprises in the Beijing-Tianjin-Hebei economic zone have now begun to manage export business, an economic zone official said here today.

The Beijing No. 1 Machine Tools Plant, China's biggest specialized milling machine producer and an exporting base for machinery and electronics products, has begun to readjust its internal mechanism and arrange production to comply with the demand on the world market, since it was given the right to manage its own export business.

Batches of its products have been sold to Japan, the United States, Italy and some other Western European countries this year. Moreover, it is working in cooperation with some prestigious firms in the U.S., Western Europe and Federal Germany to develop several new-type milling machines for export.

With the right given to handle export business, the Tianjin flying pigeon bicycle corporation has gone all out to export 2 million bicycles annually in the next three years. It is making efforts to develop the bicycle for use in health protection, Tourist bicycle, sports bicycle and other new varieties. The corporation is striving to open the North American market while selling more of its bicycle products to the developing nations in Asia, Africa and Latin America.

The Huanyu TV plant in Shijiazhuang, Hebei Province, has boldly imported the advanced technology and equipment to upgrade the quality of its products. Through its joint investment with a British partner, the plant has installed a color tv assembling line and, by the end of August, it has earned 2.7 Million U.S. dollars in foreign exchange, more than its contracted quota for this (year).

Since these enterprises manage their import and export business by their own, they give scope to the initiative in extending their export volumes. Some enterprises are forming enterprise consortiums with other factories so as to become more competitive on the world market, the official said.

In June, the economic zone began to relegate the right of export operations to those enterprises with better economic performance and quality products geared to the world market.

All the enterprises approved to export their products directly enjoy the preferential policies given by the state, and they must fulfil the state export quotas and other foreign trade targets, the official said.

The foreign economic relations and trade committees in the Beijing-Tianjin-Hebei Economic Zone are now working out measures to help these enterprises overcome difficulties resultant from the lack of funds, professional personnel and foreign trade channels so as to enable them to be listed among the international trade ranks, he added.

**Fujian Enterprises Balance Foreign Exchange**  
*OW2708004088 Beijing XINHUA in English*  
1439 GMT 26 Aug 88

[Text] Fuzhou, August 26 (XINHUA)—Most foreign-funded enterprises in Fujian Province are managing to balance their foreign exchange accounts, a local economic official told XINHUA here today.

The official said that last year 316 out of 596 foreign-funded enterprises balanced their foreign exchange expenditure and revenue. More are expected to do so this year.

In first few years after China started its open policy in 1978, many foreign businessmen invested their money in tourist and services trades, but few managed to earn sufficient foreign exchange.

The provincial government then designated 92 production enterprises as export-oriented or technically-advanced enterprises, offered them preferential terms and encouraged foreign investors to invest in them.

At the same time, the provincial government also set up a projects data base to publish investment items for foreign investors.

As a result, many foreign investors became interested in the production enterprises. Last year 90 percent of the contracts signed were production projects. And in the first half of this year, all 337 items signed are production projects.

Sihai Aquatic Products Corporation, a joint venture between Fujian and Hong Kong to breed prawns, started its operations in May 1987. Since then it has earned about 10 million U.S. dollars about 90 per cent of which it has exchanged for local currency at foreign exchange centers.

This in turn has helped companies in need of foreign exchange—mainly foreign-funded enterprises engaged in tourist or service trades—to acquire the foreign exchange.

**Shenzhen To Further Upgrade Textile Exports**  
*40060380B Shenzhen SHENZHEN TEQU BAO in Chinese 27 Jun 88 p 1*

[Article by Lin Fa 2651 4099: "Production and Marketing Are Thriving in Shenzhen Textile Industry, Firmly Grasping the 3 Links in Production To Develop Exports"]

[Text] There has been a change in the Shenzhen Textile Company, product mix has been adjusted, technical transformation has been conducted, and new products developed that have caused production and marketing to thrive. During the period from January to May of this year the total output value of industry exceeded 100 million yuan and realized a profit of over 20 million yuan which is an increase over the same period last year of 12.3 percent and 10.9 percent respectively. The value of export products accounted for 93.4 percent of the total output value, an increase of 9.8 percent over last year and the highest level ever recorded.

The Shenzhen Textile Company at present has already invested in more than 25 enterprises including foreign and domestic enterprises, the three kinds of partially or wholly foreign-owned enterprises invested in and run by foreign businessmen, and autonomously run enterprises. The company is paying attention to changes in the international market and is adopting timely measures accordingly. At the beginning of last year it predicted a new trend in the international textile market and adopted measures to maintain production development.

During the first 5 months of this year the company got a handle on the several production links listed below and did a good job in developing exports.

Adjusting product mix and developing Shenzhen's processed export products. The textile company and its subordinate enterprises earnestly analyzed this year's international textile market and expanded varieties, styles, and fine grades of products. Because production materials are lacking in Shenzhen, the production of low grade products was controlled, it worked hard at developing new products, such as knits and new fashions, to raise the value of local exports. The Shenzhen Dailisi [7818 7787 2448] Underwear Factory, using its production policy of "small, fast, and superior" produces a variety of products such as bras, shorts, and undershirts. This year they have already produced 787,000 articles and generated an output value of 4.25 million yuan by selling all of their products abroad to countries like West Germany and Holland. The (?Shenzhen Fenghua [0023 5478] Weaving Factory) produces fine nylon accessories that are all exported. This year it has already exported 84,700 gross (each gross weighing 0.6 to 0.8 kilograms) for a total output value of 1.538 million yuan and a considerable profit. When the (?Shenzhen Suiguang 4482 0342 Knit Goods Mill) ran into a problem of insufficient materials, it began producing mainly "high quality and fine" knitted clothing, as a result the price of some fine sportswear doubled in price. By raising the quality of products this factory solved the problem of insufficient materials and also attained good economic benefits as its profits increased by 30.8 percent compared to the same period last year.

Make changes when needed and speed up the development of new export products. Because the styles and prices of textile products on the international market are always changing, some of the Shenzhen Textile Company's enterprises that went into operation several years ago no longer meet the requirements of foreign businessmen and the prices of some products have declined. Because of this some enterprises are striving to develop new products. The Shenzhen Shengguang [3947 0342] Needle Factory originally produced copper sheet circular needles but because the styles and patterns on the international market changed so did knitting needles. Steel wire needles became an item in great demand. This company changed to producing [gansizhen 6921 4828 6858] needles and produced 2.199 million needles for sale abroad and realized an 82.6 percent increase in profits. Originally the Shenzhen Nanfang Limited Textile Company mainly produced coarse yarn but due to this year's cotton price rise there was a drop in cotton yarn prices. In order to reduce the amount of material used, they selected a most economically beneficial spun yarn to produce. Because the price of different yarn varies on the international market, the price of spun yarn is double that of coarse yarn. The company attained good economic results in realizing a profit of over 5 million yuan. The (?Shenzhen Huagui [5478 2710]



Ningma Textile Factory) developed new coarse cotton blend fabrics and knitted fabrics for sale abroad and increased its profits by 290 percent over the same period last year.

Carrying out technology reform to increase the staying power of products produced for foreign sale. Last year some enterprises carried out basic technology reform, this year they finished technological reform of their products and began showing beneficial results. The Zhongguan Printing and Dyeing Company changed its pretreatment, finishing, and its unsteady condition in printing and dyeing capacity, it added a resin finishing machine, shrink-proof equipment, and pretreatment related equipment. These steps increased its monthly production capacity for printing and dyeing from 6.5 million yards to 7 million yards. Shenzhen's Longbin [7893 3453] Limited Linen Mill upgraded their 1960 era A631 cotton twisting frame so the two processes of twisting and drawing could be combined into one procedure. This practically doubled their production capacity. The Shenzhen-Shanghai Knitting Company upgraded its computerized hosiery machine's procedural and layout technology, developed Jacquard stockings and pants with attached stockings. Foreign demand for these articles exceeds supply. The future looks strong for these enterprises, their products suit the market, and there is room for increased profits from exports.

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## ECONOMIC ZONES

### Hainan's Sanya Draws Job Seekers From Mainland

OW1708141588 Beijing XINHUA in English  
0941 GMT 17 Aug 88

[Text] Sanya, August 17 (XINHUA)—Sanya City, situated on the southern tip of Hainan Island, has had over 3,000 job seekers flooding in from the mainland in the past few months.

However, it was not long before they realized that it is almost impossible for all of them to realize their dream in such a tiny city with a population of 120,000 and many left.

Sanya is one of the major tourist resorts in Hainan, China's newest province and largest special economic zone.

"Only a small number of outsiders have found jobs here," said Xing Fuze, a city personnel official.

It is a good thing to see so many educated people coming to Sanya, which used to be a secluded settlement, said Xing. "They have brought in new concepts and ideas which will consequently influence the local population."

Four people from the mainland who were unknown to each other before are eking out a living by running a small business selling soft drinks and fruit, and taking photographs for swimmers on the beach.

The oldest of the four, a 37-year-old former accountant in a state-run enterprise, believed he was capable of making a better career. "I want to build a business, so I have come here to look for opportunities to better myself," he said.

Another of the four used to be an employee in a Beijing petrochemical company. He said, "I wanted to lead a freer life. That is why I am here."

Pu Zhongxin, a graduate from the Kunming Industrial Engineering Institute, believes that he can do something to contribute to the development of local literature.

He is trying to run a literary magazine, and he commented, "Rapid economic growth can hardly be achieved without the sound development of literature."

Zheng Changhua, who used to be a radio announcer in a Nanjing factory, is luckier as she has been hired as an announcer for the local TV station which will soon be established.

### Mayor Hopes Haikou Will Become 'Small Hong Kong'

HK2208015188 Hong Kong SOUTH CHINA  
MORNING POST in English 22 Aug 88 p 8

[By Lai Pui-Yee]

[Text] Given 10 years Haikou, the capital of Hainan, will become a small Hong Kong, said the city's mayor on the eve of the opening of the first people's congress for the new province.

But mayor Li Jinyun admits there are pressing problems ahead as the city strives to become a showpiece of the special province.

"Haikou is undergoing an uneasy stage of adaptation as much has to be caught up both psychologically and physically," he said.

Some Hong Kong and foreign investors have adopted a "wait-and-see" attitude after their fact finding missions to the city. But Mr Li said this did not disappoint him.

It was only natural for businessmen to calculate the opportunity costs of their investment, Mr Li said, adding that within two to three years' time the city would have gained the confidence of investors.

As the country's most open city, Haikou would adhere to an overall urban planning strategy, he said.

"Haikou aims at meeting three targets by the year 2005: gross domestic product (GDP) of 10 billion yuan (HK\$21 billion); population of one million and a developed area up to 100 kilometres," Mr Li said.

He admitted that it was not an easy task considering that the present population was only 310,000 the developed area extended to only 22 kilometres and the GDP was only 0.16 billion yuan.

Five zones will be mapped out for specific uses.

The Yongwan zone is earmarked to cater for Taiwanese compatriots. A firm with Hong Kong interests has already launched the first shoe-making factory, while another eight are in the pipeline.

The other special zones include a financial and trading waterfront avenue, the Jinpun industrial area and the Xinfu tourist market.

Since the announcement of the establishment of Hainan province, the population of Haikou has been increased by 90,000, and 12,000 trading firms have been set up, bringing in an additional 0.5 billion yuan investment from other provinces.

Foreign investors have shown interest in 30 projects, of which 10 enterprises have already been initiated, securing investment to the value of US\$30 million (HK\$234 million).

Mr Li acknowledged that investors inevitably would be hesitant about investing in Haikou.

The pressing task was to set the infrastructure in place and improve telecommunications, he said.

Hopefully, telecommunications would be adequate by the end of next year when up to 40,000 units were expected to be installed, he said, adding that at present, only 5,000 local lines were available.

Mr Li said water and power sources were in short supply.

Haikou was planning a reservoir to alleviate the excessive use of underground water, Mr Li said.

As for transport, a highway to the southern city of Sanya would be completed by 1990, which would greatly benefit tourism, he said.

**Hainan To Open 'Free Port'**  
*HK2208151188 Beijing CEI Database  
in English 22 Aug 88*

[Text] Haikou (CEI)—Hainan Island, China's newest province and largest special economic zone, will open a 'free port' in the Yangpu development zone, top local official Liang Xiang announced on August. [no date as published]

According to Liang, the Yangpu development zone will be built into a 'free port' and the provincial government will draw up administrative regulations governing the zone's construction.

Located in the province's northwest, the Yangpu development zone will eventually have a deep-water harbor, which will be able to handle ships up to 10,000 dwt.

**Xiamen Party Secretary on Development Strategy**  
*40060508 Beijing RENMIN RIBAO OVERSEAS  
EDITION in Chinese 23 Jul 88 p 3*

[Article by Lin Shikun 2651 1102 0981 "Xiamen Will Become Economic Liaison Point for Both Sides of Taiwan Strait"]

[Text] Xiamen Municipal Party Committee Secretary Wang Jianshuang recently announced that Xiamen's development strategy from now on will use the international market as a guide, draw support from Southern Fujian's Zhujiang Delta region and the Shanghai Economic Zone, use education to develop people, S&T progress, and advanced managerial skills, and capitalize on its proximity to Taiwan and the linguistic and cultural similarities between the two to make Xiamen become an economic center for both sides of the Taiwan strait.

Wang Jianshuang said that Xiamen is now entering a new stage of development. During this stage, it is necessary to basically establish an externally-oriented economy and to do a better job of running foreign-invested enterprises. It would be permissible to let foreign businessmen run these enterprises and be awarded contracts, so that they can manage them in accordance with international practice to increase the enterprises' economic returns and make them more attractive to foreign investors. At the same time, it is necessary to use various methods and go through different channels to develop enterprises that engage in the three forms of import processing and compensation trade, and to develop businesses outside the area, and set up Xiamen business corporations overseas and in Hong Kong and Macao. It is also necessary to link up domestic and overseas operations, establish conglomerates that rely on the special zone to spearhead and the interior to support the goal of earning foreign exchange through exports, and make the supply of goods going outside the zone pass through Xiamen as exports. This would gradually establish a special zone economic system that responds to and participates in instrumental economic competition.

**Economic Zone To Be Formed in Qinghai**  
*HK2608130188 Beijing CEI Database  
in English 26 Aug 88*

[Text] Xining (CEI)—Northwest China's Qinghai Province has decided to set up a technological and economic development zone in the Qaidam Basin recently.

Situated in the western part of the province, the 250,000 square kilometer basin has been found to be rich in 50 minerals including sylvite, magnesium, lithium, bromine and asbestos. The reserves of these minerals are greater than anywhere else in China.

Beside, there are 20 salt lakes in the basin, with salt reserves verified at 50 billion tons. The province will tap the salt lakes and use salt to develop chemical industry.

The province will open Qaidam's resources to other Chinese provinces and foreigners. It will attract funds and technology as well as special personnels to the newly-formed development zone, according to Song Ruixiang, governor of the province.

**Shenzhen Approves Blueprint for New District**  
*OW1708121288 Beijing XINHUA in English*  
0644 GMT 17 Aug 88

[Text] Beijing, August 17 (XINHUA)—Shenzhen City Government has approved a blueprint to develop a new 44-square-kilometer area, the overseas edition of the PEOPLE'S DAILY reported today.

Located to the west of the city and south of Shenzhen Bay, the Futian District would be larger than the present Shenzhen itself which is 38.7 Square kilometers.

It will be the third district set up in the eight-year-old Shenzhen special economic zone. The others are Luohu and Shangbu.

More than 4 billion yuan has been earmarked for the development which is expected to take three years to complete.

The new district will contain industries, commercial shops, residential buildings, educational institutions, medical services and other municipal facilities.

A real estate market mainly operated by the government will be established after most of the land has been opened up.

**Tianjin Economic Development Zone Develops Well**  
*OW2808234888 Beijing XINHUA Domestic Service in Chinese*  
2328 GMT 24 Aug 88

[By reporter Li Jianchang]

[Text] Tianjin, 25 Aug (XINHUA)— Since this year, the Tianjin Economic and Technological Development Zone has recorded rapid economic growth. According to latest statistics, in the first half of this year, the zone's formally approved "three kinds of foreign trade enterprises" totaled 17, surpassing the previous 3 years' annual average—13. Each of the 17 enterprises has made an average investment of \$1.44 million, an increase of 20

percent over the average investment of the previous 3 years.

With a registered capital of \$15.516 million, the 17 formally approved Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned enterprises, have made a total investment of \$24.4879 million. By the end of June, there were a total of 93 formally approved foreign-funded enterprises. With a registered capital of \$91.02 million, they had made an investment of \$116 million, of which 41.86 was contributed by foreign investors.

Over 150 "wholly domestic-funded" enterprises with a registered capital of 272 million yuan are also operating in the development zone with a license. Of them, 62 obtained their license this year.

The economic results of the "three kinds of foreign trade enterprises" in the zone are noticeably improving, with their leading economic indicators rising over last year's level. According to statistics based on 47 "three kinds of foreign trade enterprises" in normal operation, their total output value in the first half of this year reached 115 million yuan, or 66.3 percent of last year's total, generating 25.4 percent more profits than they earned in the entire previous year. The ratio of money-making enterprises also rose from last year's 51.2 percent to 63.8 percent in the first half of this year.

The balance of the foreign exchange receipts and expenditures of the "three kinds of foreign trade enterprises" is also improving. In the first half of this year, foreign exchange earned through export by the 47 enterprises grew 24.9 percent, compared with the entire previous year. Their foreign exchange receipts are also more than foreign exchange expenditures.

**Investment in Zhejiang City Reviewed**  
*HK2608124388 Beijing CEI Database in English*  
26 Aug 88

[Text] Hangzhou (CEI)—Overseas investment in the port city of Ningbo has the tendency of turning from urban to rural and from tertiary trade to productive projects in the past few years.

Since Ningbo City of Zhejiang Province began to open its door wider to the outside world in 1984, the overseas investment in the city has shown changes in the following three aspects: Firstly, foreign investment has expanded from downtown of the city to suburban areas. In 1984, 87.5 percent overseas invested ventures were in the downtown area, while in the first half of this year, these ventures accounted for 50 percent in the downtown and suburban areas respectively.

Secondly, in 1984, investment from Hong Kong and Macao accounted for 75 percent of the total overseas investments, but in the first half of this year, foreign investment took more than 58 percent.

Thirdly, more overseas investment has been channeled into productive projects. In 1984, only 50 percent of the overseas invested projects were productive ones, while in the first six months of this year, all the 25 approved joint ventures were of such nature.

## LABOR

### Problems, Countermeasures in Opening Up Labor Market

40060489a Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese  
No 6, 11 Jun 88 pp 53-55

[Article by Zhao Guixiang 6392 2543 3276 of the Consumption Economics Institute, Xiangtan University: "Three Major Obstacles to Opening Up a Labor Market for All Positions at the Present Stage of Development and Countermeasures"]

[Text] Under socialism, acknowledging that labor is a commodity, and, beyond that, opening up a labor market, is a great historical breakthrough, as it is also a new topic that will inevitably be brought up in the new situation of our ongoing reform. At this stage of China's development, it is therefore without a doubt very important to explore the theoretical questions relating to the opening up of a labor market. My intention is to present in this brief article my humble views, and solicit comments from academic circles.

#### 1. Three Obstacles Exist in the Opening of a Labor Market for All Positions at the Present Stage of Development

Opening up a labor market for all positions means simultaneously opening nationwide markets for various types of labor, comprising markets for specialized technical talents as well as markets for common labor. Opening up labor markets for all positions is a fundamental task and ultimate objective to be pursued in the reform of China's system of administering manpower employment. However, formation of a labor market and opening it up for all positions requires a set of relevant restrictive conditions defining its limits, which must be supplemented by a certain sociopolitical and economic environment and excellent complementary facilities. In view of the current stage of China's development, the opportunity has not yet arrived and conditions have not yet matured for the opening of a labor market for all positions; it is rather obvious that it is an infeasible proposition.

##### (1) The Obstacle of a Lack of Complete Independence of Enterprises and Workers

Opening a labor market demands, first of all, that each party in any labor transaction must recognize that the

other party is an independent owner and generator of the commodity, and that each has absolute and complete ownership of his commodity. Marx pointed out, "If the owner of labor wants to sell labor as a commodity, he must be in a position to dispose of it, therefore must be the free owner of his own working capability and of his own person. When the owner of labor meets the owner of money in the market, the relationship between them will be one of owners of commodities..."<sup>1</sup> The opening of a labor market, therefore, demands, first of all, that the seller of labor is the owner of a commodity of equal standing, and that he is in a position to dispose of and trade in his own labor. It demands, as a second condition, that the buyer of labor, the enterprise, be an independent economic entity. It must be producer of commodities by its own free will and with responsibility for its own losses and profits, also able in his own right to buy or discharge labor.

It is hotly debated in academic circles whether the owner of socialist labor is a free owner. In my opinion the owner of socialist labor should be a free owner of his own working capability. However, in real economic life, the worker's right of self-determination is far from complete. For a long period of time, labor in China had been subject to overall planning and deployment, and the workers lacked the right of self-determination in the choice of job or unit, thus could not establish a relationship with the enterprise on an equal footing and as owner of a commodity. The worker's ownership being in this way incomplete constitutes an obstacle to opening a labor market.

Similarly, the socialist enterprise, too, has no complete right of self-determination in production and business operations. Its rights in matters of personnel, assets, materials, production, supplies, and marketing are very incomplete. Although the State Council has issued repeated injunctions in recent years, and although competent departments have begun to delegate authority to the enterprises, it is due to insufficient experience and the short time that delegation of authority has been practiced that actual progress has been not very satisfactory. Someone has made a survey by questionnaire among some of the state-run enterprises in Shanghai regarding the implementation of legal provisions for expanded enterprise authority. It was found that only 3 percent of the total enterprises had implemented the legal provisions 90 percent or more. About half of the total enterprises had implemented the provisions 60 or more percent, and 43 percent of the enterprises had implemented the provisions less than 60 percent. Enterprises in which the provisions had essentially not been implemented at all amounted to 4 percent. The situation of self-determination in matters of labor employment is more of a mess. Only 7.3 percent of the enterprises had the right to recruit workers. 60 percent of enterprises were partly free to recruit workers, and 32 percent had no authority to recruit workers.<sup>2</sup> At present, it is still the state that holds the power in such matters as examining workers for employment, the scope of recruitments,

treatment of staff and workers, and the working time system, while the enterprises have no way of deciding these matters for themselves. Additions to the work force and dismissals must still be reported to higher authority for examination and approval. All these facts make it clear that the right of self-determination of enterprises is very incomplete and will by far not satisfy the needs of an open labor market.

## (2) The Obstacle of the Current Welfare System

At present, China practices a system of "low wages and high welfare." The ratio of welfare in the income of staff and workers is disproportionately large, and welfare is basically distributed according to egalitarian methods. One conspicuous shortcoming of this welfare system is that the enterprises and units have become "saddled" with it, i.e. that welfare and security expenses are to the greater part assumed by the enterprises themselves. This not only easily leads to lateral competition among enterprises in welfare and security benefits in their efforts to retain their people and forces the various enterprises to increase welfare benefits to meet the competition, but also seriously impedes the freedom of movement of workers. There are now many people who are little interested in their present unit or job and would like to make a move, but not wanting to lose the "iron rice bowl" of their social welfare and security, they stay on where they are, against their own inclinations. Even "supernumeraries" in enterprises are unwilling to give up a supportive unit with a good safety coefficient, and even less willing to leave are those in departments or enterprises where favorable collective welfare can be enjoyed. Situations like these not only dampen the production enthusiasm and initiative of workers, but impede the rational circulation of labor, thus constituting veritable shackles on efforts to open up a labor market in China.

## (3) The Obstacle of Excessive Inflation of Surplus Labor and the Inadequacy of Comprehensive Measures To Cope With the Situation

Due to "leftist" deviations in China's guiding ideology, several errors have been committed since liberation, in policy as well as in actual work, in the matter of human reproduction, causing two kinds of serious dislocations in reproduction. Because of too fast a population increase, a large population surplus has been created. At present, the rural and urban areas of China have a large surplus of manpower; it is a huge production reserve army of great strength and impressive size. On the one hand, this surplus labor, to which new manpower is added every year, is urgently in need of employment, while, on the other hand, "redundant personnel" in large numbers remain at their posts in the enterprises, where there are more hands than needed, these persons having become "unemployed job-holders." According to someone's statistics, in the enterprises owned by the whole people, surplus staff and workers amount to 20 to 30 percent of the total establishment. In the countryside,

one-third of the surplus manpower cannot be fully utilized. Viewed from a macro-perspective, therefore, by only opening up a labor market for all positions, the situation that would arise would be one of "extreme shortage of demand and inflation of supply." This kind of buyer's market, with stiff competition among sellers, would inevitably lead to widespread unemployment of workers. China is a socialist country, and the state has a responsibility to care for the unemployed. To administer this matter in an appropriate way, effective and appropriate measures of a comprehensive nature will have to be taken, for instance, establishing a system of relief and social security to guarantee their basic livelihood needs, setting up a special administrative organization to guide them to new jobs, etc. Obviously, as long as no such comprehensive measures are operative, premature opening of a labor market would be sure to create social repercussions.

To sum up, presently it would be unrealistic to open up in China a labor market for all positions. This compels us to seek other ways and to find realistic and sensible measures to cope with the situation. Such measures can, of course, be of a great variety, and it would be rather difficult to give an analysis of all of them. In the following, this writer intends to give a brief analysis of the best possible object models for the opening of labor markets.

## 2. Proposal No 1: Optimum Object Model For Opening Up Labor Markets

As in other items of the reform, opening of labor markets in China is also facing the problem of selecting the best possible object model. The said "object model" may be understood at two levels: (1) It designates the objective that must be achieved by opening a labor market, and (2) it designates the means to achieve the objective, and the steps and methods to realize it. The objective of opening labor markets in China is to promote free mobility of labor, to have every talent exert himself to the utmost of his abilities, and make use of every talent to the utmost of his capabilities, also to establish a system of employment administration of much vigor and vitality. However, selection of the optimum object model is again restricted by the following three conditions:

(1) It must not exceed the state's financial capacity. Opening a labor market, on the one hand, is to allow free and reasonable mobility of labor, but must also allow the enterprises free choice in the purchase of labor. Every worker is, therefore, threatened with unemployment, and once the worker is unemployed he will be in a "vacuum," parted from all enterprise connections. They may suffer larger or smaller losses in their material interests, and in their livelihood they may possibly be reduced to poverty. If that happens, there will be extreme need for the state's treasury to provide subsidies. Obviously, if the subsidies from the treasury exceed the state's

financial capacity, it would hinder or delay the reform of the system of labor employment administration and even the smooth progress of the entire reform of the economic system.

(2) It must not overtax the psychological endurance of the worker (the party in this matter). Because the unemployment that may be caused by opening a labor market might have an exasperating effect on each worker, this exasperating effect may condense into fear and panic anxiety. If the opening of the labor market should overtax their psychological endurance, it may, therefore, easily lead to their indifference and antagonism toward the reform, and they may, as a result, lose confidence in the reform. This kind of "negative effect" may even engender side effects, and quite possibly become the cause of social unrest, and lead to serious social disturbances.

(3) Any action must definitely start out from the realities of the situation. Specific questions must be specifically analyzed, and in the selection of the optimum proposal, and in the process of arriving at a policy decision, subjective willfulness must be avoided by all means. On the basis of a full command and the analysis of the specific conditions, one must carefully consider the purpose of every aspect, then proceed with a rational analysis of the feasibility, and then, when all actual conditions permit it, select the best alternative and follow it through.

According to the specific conditions of China, and with reference to the practice of China's reform of the economic system in recent years, this writer is of the opinion that China's labor market can only adopt the form of a step by step opening, i.e. the model of "gradual advancement." The reasons are:

(1) Viewed from the macroeconomic standpoint, China's present productive forces are still at a low level, the commodity economy too has not yet sufficiently developed. In addition, China is a country with a vast territory, so that the commodity economy in the various regions and sectors has been developed extremely unevenly. Under these conditions, it would obviously not be realistic to demand that labor markets should be opened up all at the same time in the various areas throughout the country.

(2) Due to longtime "leftist" deviations in guiding ideology, the original employment administration system in China from liberation up to the time when reform was initiated almost 2 years ago, became infiltrated with a strong measure of military communist supply ideology. The job security and historical inertia of the "iron rice bowl," which had developed under this system of long-term rigidity in the employment system, will still play a role for a long time to come. This is why China's labor employment system in the initial stage of the reform showed a larger degree of centralization, a more sealed-off nature, and greater egalitarianism than other items of the reform in the beginning. However, we must under no

circumstances for these reasons lower the objectives in the opening of labor markets. The difficulties that China is thus facing demand that a comparatively long preparatory period must be allowed China for the opening of labor markets.

(3) In view of the practical experiences in the last year in China with rational circulation of talents and with the initial opening of labor markets, this reform of opening of labor markets is still beset with many obstacles and great difficulties, and it is out of the question that it can be accomplished in one move; there can only be a gradual progress.

### **3. Proposal No 2: The Concept of Strategic Measures Relating to the Opening of a Labor Market**

Opening of a labor market in China requires not only selection of the optimum object model, but also the most suitable strategic measures. First, the concept of the strategic measures must be geared to actual circumstances, and tally with the essential national conditions of China. Second, the concept of the strategic measures must conform to the optimum object model selected for the opening of the labor market. According to these requirements, the relevant strategic measures that should now be adopted are:

(1) Further implementation and expansion of enterprise autonomy; at present special attention should be paid to expand the authority of the enterprises in matters of labor employment management, allowing the enterprises, as truly in complete possession of the commodities, to enter the market and freely select for purchase and also dismiss labor.

(2) Reform of China's current social welfare system, removing social welfare and security affairs from the enterprises and have society bear responsibility for the essential security of the means of livelihood and for welfare subsidies for the workers, strengthen free and reasonable mobility of labor.

(3) Reform the labor employment system, promote a labor contract system, thoroughly eliminate the "only entry into, no exit out from enterprises" system of the "iron rice bowl" and "all helping themselves from the public pot." Gradually transfer labor administration from a state in which the employing unit plays the main part, to a socialized administration, and at the same time change fixed employment to contract employment, allowing entry into as well as exit from enterprises.

(4) Strengthen the comprehensive administration of social surplus labor. The state must establish a special agency to administer surplus labor caused by unemployment. At present, this could temporarily be taken care of by the labor service companies at all levels. The present labor service companies must effectively carry out the following tasks: 1. Energetically institute professional training, to raise the quality of the workers and to meet the demands of commodity economy and market

competition. 2. Effect the deployment of surplus labor and arrange their reemployment, step by step and in a planned way, get them as early as possible out of the situation of floating in a "vacuum." 3. Accept responsibility for issuing social relief funds to secure the essential means of livelihood for workers. 4. Establish and perfect labor legislation, to ensure every citizen's right to proper employment.

#### Footnotes

1. "Collected Works of Marx and Engels" [Chinese edition] Vol 23 p 190.

2. Data from the weekly LIAOWANG [OUTLOOK] No 5 (1986).

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### POPULATION

#### Week-Long National Family Planning Conference in Qiqihar

##### Peng Peiyun Gives Final Speech

SK2208004688 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 21 Aug 88

[Text] The 7-day national population and family planning experience-exchange conference concluded in Qiqihar this afternoon.

The conference featured concentrated exchanges of experiences gained by more than 40 units, including Keshan County's experience in conducting education on basic family planning knowledge, Fuyu County's experience in launching the campaign of no unplanned birth villages, and Sichuan Province's experience.

Peng Peiyun, chairman of the state Family Planning Commission, made a summing-up speech at the conference.

He pointed out: Conducting education on basic family planning knowledge is a measure for reforming family planning propaganda work. The education will effectively promote the transformation of family planning work to the orientation of planned scientific management before pregnancy.

##### Changes in Family Planning Reported

OW2308044888 Beijing Xinhua Domestic Service in Chinese 1506 GMT 21 Aug 88

[By Central People's Broadcasting Station reporter Li Renzhu and XINHUA reporter Yu Changhong]

[Text] Qiqihar, 21 Aug (XINHUA)—The national conference on exchanging experience on basic education in population and family planning closed today. Reporters learned from the meeting that China's family planning work is now undergoing change. People who voluntarily

give up having a second child are increasing; cases of giving birth outside the plan and multi-births are decreasing; people who voluntarily take contraceptive measures are increasing; and pregnancies outside the plan are on the decrease. Last year, the percentage of people who had more children than their quota dropped to 16.8 percent. More than 150 million people are practicing birth control measures.

Raising public understanding of, and receptiveness to, family planning has always been the main task of family planning workers. In recent years, localities have changed their methods of family planning, which, in the past, were based more on restriction and punishment; instead, they now adopt education and persuasion to change the masses' attitude on birth.

A large-scale education on the basic knowledge of population and family planning has been carried out in Heilongjiang, Liaoning, and Tianjin. The education, which has targeted child-bearing age groups, has been carried out systematically. Family planning workers use different ways to educate the masses on the theory of population, on family planning policy, on legal knowledge, on sex and contraception, and on child-care. The education has been a success and has helped raise people's consciousness to practise family planning. An evaluation of the results of family planning education conducted among 100,000 people who have received education on the basic knowledge of population and family planning in Heilongjiang's Jixi City shows that 70 percent of them now have, in varying degrees, changed their motives for having children, and their child-bearing pattern.

The national conference on exchanging experience on basic education in population and family planning began on 15 August in Heilongjiang's Keshan County. Peng Peiyun and Wu Jingchun, minister and vice minister of the State Family Planning Commission, spoke at the meeting.

##### NONGMIN RIBAO Discusses Birth Control

HK0109080988 Beijing NONGMIN RIBAO in Chinese 23 Aug 88 p 1

[Commentator's Article: "Unifying Thinking, Stabilizing the Policies, and Getting a Good Grasp of the Work"]

[Text] In the last 2 years, the birth rate in the countryside showed an upward tendency, and the phenomenon of giving birth to more children than the planned target is getting more common. This is an issue that should draw sufficient attention. A major reason for this state of affairs is that people in some localities do not have the same idea when approaching birth control, and the efforts for family planning were relaxed and even given

up. This allowed more families to give birth to more than one child. Therefore, it is now necessary to further bring the thinking of the cadres and the masses into line with the current birth control policy of the party and the government, and to firmly advance the work of family planning.

There is a large rural population in our country, and we are facing another birth boom. Plus the influence of the deep-rooted traditional ideas, all this adds great difficulties to the work of family planning. It is predicted that if the current birth control policy and the current conditions in the work of family planning remain unchanged, the population on the Chinese mainland will increase to 1.24 billion people by the end of this century. If we fail to tightly control the population growth and if there is any error in our population policy, it is possible that the population will increase to 1.3 billion people. If that is the case, many people in the countryside will find it hard to maintain their living standards with sufficient food and clothing, as the population continues to increase while the arable land continues to decrease, and it is even more difficult to realize the comparatively well-off conditions. So we must realize the strategic significance of family planning from the overall interests of our modernization program and must resolutely correct the laissez-faire practice in the implementation of the birth control policy so as to effectively check the additional cases of childbearing outside the planned target.

The current birth control policy in our country is correct. Its main points are to encourage people to get married at a mature age and to reduce the number of children to be raised by each family and to advocate that each couple only give birth to one child. For cadres and workers in state organs or state enterprises and for urban residents, except for some special cases with approval, each couple is allowed to give birth to only one child. In the countryside, when some rural families meet with some actual difficulties in their livelihood and need to have a second child, with the approval of the local authorities, they are allowed to give birth to the second child with an interval of several years between the two childbearings. In no case can any couple give birth to a third child. Family planning should also be advocated in the areas inhabited by minority nationalities. This policy is in keeping with the specific conditions in our country, and must be firmly implemented. The stability of this policy must be maintained. No people should expect that the state will relax the control on births.

To bring the rural people's childbearing condition into line with the current birth control policy, it is essential that the thinking of the cadres and the masses, especially the thinking of the leading cadres, be brought into line with the current policy. We admit that people's thinking in this regard has not been unified yet. For example, some comrades argued that as the Marriage Law stipulates the legally marriageable age, there is no reason to urge people to get married at a mature age. As a matter of fact, the Marriage Law also says that "people should

be encouraged to get married at a mature age" after it stipulates that "men cannot get married before the age of 22 and women cannot get married before the age of 20."

In other cases, some people argued that the rise in the birth rate in the last 2 years was the result of the erroneous step of "opening a small gap" to allow some families to give birth to two children. This is not true, because the opening of the "small gap" served the purpose of preventing the "large gap." However, as birth control is a very sensitive policy, once our control is slightly loosened, the population growth rate will rise in a very short time. So this is mainly a problem in our practical work rather than a policy error. In short, it is greatly important to understand and implement the current birth control policy in an all-round way. Only thus can we unify our thinking, overcome the obstacles, and stably carry out the birth control policy in the countryside for a long time.

Birth control is a job that must be done carefully as it is related to the interests of the masses. We must pay close attention to this job and take careful steps to advance it. We must make unremitting efforts in this regard. Hengshui Prefecture and Fuyu County combined policy and ideological education with the popularization of the knowledge about birth control, and this achieved good results in raising the peasants' consciousness in practicing birth control. This is indeed a good experience. Localities which have achieved good results in birth control should sum up and spread their successful experience. In particular, localities which did not effectively control the birth rate should earnestly learn from their successful experience and change the unfavorable state of affairs as soon as possible. Birth control is one of our country's basic policies. Great results have been achieved in this regard in recent years. Leaders at various levels should continue to exert themselves and make persistent efforts to strive for better results.

**Paper Notes Mobile Population in Country**  
*OW1908162888 Beijing XINHUA in English*  
0631 GMT 19 Aug 88

[Text] Beijing, August 19 (XINHUA)—Half one tenth of China's population—50 million people—are on the move every day, CHINESE WOMEN WEEKLY, a Beijing-based national newspaper, reported today.

The mobile population exceeds 10 million in the country's 23 largest cities, each with one million or more residents. Shanghai's transient population totals 1.83 Million, Beijing's, 1.15 Million, and Guangzhou's, 1.1 Million.

The numbers are on the increase, the paper said.

More than two-third of those on the move are conducting short-term business but many criminals mix themselves into the mobile population.



The Ministry of Public Security hopes that the issuance of identification cards will better control the flow of population, the paper said.

## TRANSPORTATION

**State Council Circular on Coal Mine Explosion**  
*OW3108024488 Beijing XINHUA Domestic Service in Chinese 0536 GMT 30 Aug 88*

[Text] Beijing, 30 Aug (XINHUA)—The General Office of the State Council has issued a circular in connection with the disastrous gas explosion in a township coal mine in Guizhou. [date of circular not mentioned]

The circular notes: Because of the disastrous gas explosion which took place at a coal mine jointly operated by the Government of Houchang Township in Weining County, Bijie Prefecture, and a villager in Anle Village, Ertang Township in Dawan District, Liupanshui City, Guizhou, on 6 May 1988, 45 people died, 2 were seriously injured, and another 2 were slightly hurt. It was a major and the most disastrous accident in the nation's township coal mines in recent years.

The circular says: Construction of the coal mine started in July 1986 without the approval of competent authorities, and its operation began in October 1987, despite serious mismanagement and total negligence of personal safety. Although from last January to April, the Coal Administration Station under the Government of the Dawan District in Liupanshui City had on three occasions ordered the coal mine to suspend production for consolidation, the latter ignored orders and proceeded with its dangerous production. Consequently, the disaster took place. The direct cause of the accident was: Because of a power outage during the day, the mine's ventilators stopped, and large amounts of gas accumulated in the tunnels. As soon as ventilation began to function again early in the evening, coal miners resumed working underground. As electricians were still working on the electric cords of some lights, the sparks from the repairs ignited the gas.

The circular continued: The heavy casualties from the accident provides a profound lesson. It has exposed certain serious neglect of production safety in many township coal mines. The Guizhou Provincial People's Government must immediately organize personnel of relevant departments in the provincial, prefectural, and city governments to ascertain the cause of the accident. According to the principle that responsibilities should be borne by the sponsors, profit reapers, and those in charge of safety, they should earnestly handle each and every case in accordance with its seriousness. Officials of the Government of Houchang Township, who initiated construction of the mine in disregard of upper departments' orders, must be harshly punished according to law, so that the dignity of law and discipline can be upheld, and similar accidents do not recur.

The circular points out: While township coal mines in Guizhou produce only 5 percent of all the coal produced by the nation's township coal mines, the number of coal miners who died in the province represents 18 percent of the total fatalities in the nation's township coal mines, and the number of disastrous accidents represents 30 percent. This is primarily due to the local government's disregard of production safety, failure to implement the "Law of Mineral Resources" and the State Council's guidelines for consolidating township coal mines, and indecisive and impotent leadership in improving the management of township coal mines. In fact, illegal mining is still quite rampant in Guizhou. While these mines are ridden with accidents and casualties themselves, they have also seriously affected the safety of state collieries.

The circular says: While township coal mines, which have developed rapidly in the country in recent years, have contributed substantially to alleviating the nation's energy shortage and supporting economic construction, they have also created many safety problems. All regions and relevant departments in the country must learn a lesson from the disaster and take resolute measures to solve problems affecting township coal mines' production safety. First of all, they must earnestly intensify leadership over these coal mines, earnestly improve their management, and firmly stop illegal mining. From now on, all unlicensed mines and mines without even the basic means for ensuring production safety will cease to operate pending consolidation, and no unit or individual will risk production. If there should be an accident, not only the responsibilities of those directly responsible will be investigated, but also those of the leading local government officials. If, after consolidation, those mines without mining permits, but which can now ensure production safety, will be permitted to operate after having had their licensing formalities processed. But those which cannot provide even the basic means for ensuring production safety must stop operation; and in case they already have been licensed to operate, their licenses will be revoked. Secondly, we must intensify management of township coal mines. All departments in charge of coal industry must intensify the management of these coal mines, define their responsibilities, and establish all sorts of sound managerial measures, so that the state's coal resources can be rationally developed and exploited, and so that fighting for resources and illegal and reckless mining can be stopped. Meanwhile, effective measures should be taken to facilitate sound development of township coal mines.

### **China Industrial Aviation Service Corporation Operations**

*40060378B Beijing GUOJI HANGKONG  
[INTERNATIONAL AVIATION] in Chinese  
No 6, 5 Jun 88 pp 9-11*

[Article by Tang Jun 0781 0193: "The Rapidly Developing China Industrial Aviation Service Corporation"—First paragraph is source-supplied English introduction.]

[Text] In July 1982 the Second General Aviation Fleet of CAAC was formed into the Industrial Aviation Service

Corporation (IASC), which started its service officially on 1 January 1983. As a nationwide general aviation operator, IASC has accumulated a good deal of service experience in more than thirty years and has been praised and trusted by customers both at home and abroad for its positive contributions to the development of economy and sciences, as well as to the development of business relations and friendship with international colleagues.

The IASC is a large general aviation enterprise that engages in aerial photography, aerial remote sensing, geophysical prospecting aviation, aerial hoisting, oil exploration over land and sea, aerial agricultural and forestry work, and providing service to various scientific experiments. It is an economic entity that has self management, independent accounting, and is solely responsible for its profits and losses. The corp predecessor was the Second General Aviation Fleet of the CAAC, its history totals more than 30 years.

In July 1982, with the approval of the economic committee, it was officially changed to the IASC and officially began operations in January 1983. In the years that followed the IASC made energetic contributions to China's economic construction and scientific research, the developing of international business relations and friendly interchange. Through these actions it has won the trust and praise of customers both at home and abroad.

The general headquarters of IASC is located at Taiyuan. The Corp has 5 subordinate companies: the Taiyuan Co. that conducts aerial photography and remote sensing; the Changtai Co. that engages in geophysical prospecting and aerial agricultural and forestry work; the Tianjin and Handan Companies that conduct aerial hoisting, petroleum exploration of land and sea, aerial water conservation and environmental monitoring, and an aerial sight-seeing business; and the China Aviation Transport Co. that specializes in international and domestic air transport.

IASC has over 40 fixed wing aircraft of different models including the B200 Super King Air (loaded with LTN-72 and LTN-76 inertial navigation systems and superavio-gon camera installations), Shuang shuita-300, AN-12, AN-30, and YUN-12 aircraft. It also has over 30 helicopters including the MI-8, JIANER-212, JIANER-214ST, BO-105, and "LAMA" models. It also has the newly imported L-100 Hercules transport aircraft. It has over 40 sensor type equipment such as the RC-10A, RC-10, RC-8 aerial photography cameras, 6 MSP and 18 MSP spectrum photography equipment. Various aerial photography modules like electronic cameras, color enlargers and spectrum photograph synthesizers, Kodak Eastman automatic film printer, Huopu [7202 2528] color picture automatic printer, Kodak 1811 color film developer, Kodak light sensing apparatus and color reversal film developer, and other black and white and color photography processing equipment. IASC has undergone a continuous buildup. It has developed from

a 100 person specialized aviation group into a large general aviation operation that has a current force of nearly 3000 staff and workers along with various types of modern aircraft and equipment.

Aerial photography and remote sensing is the main business of the IASC. For more than 30 years IASC has left its mark of hard work throughout the land from Inner Mongolia's boundless stretch of grassland to Hainan Island, the country's southern protective screen where it's like summer all the year round, from the roof of the world Himalaya Mountain range to the abundant and scenic area along the East China Sea. According to statistics from 1953 to the end of 1987 this enterprise accumulated 249,000 flight hours. Its aerial photography has covered an area over 9 million square km. The IASC has flown over every province, city, and autonomous region of the mainland to air-map state maps in different scales, various special use maps, conducted data finding surveys, and supplied innumerable aerial photographs and remote sensing image data. From the above operations reliable data was supplied concerning municipal construction plans, route selection of railroads and highways, construction of high voltage lines, water conservation projects, management and classification of forests, plant diseases and insect pests, management of land resources, river system and environmental monitoring, and natural resources. The use of a single type of aerial photography developed into a remote sensing technology that has many administrative levels and methods.

This remote sensing technology consists of trichromatic photography, IR scanning, 18 by 18 and 23 by 23 cm spectrum photography. Depending on the desires of the customers they can produce aerial photographs of various sizes and scales.

Geophysical prospecting is an advanced technology for rapid location of minerals and geological survey. The IASC can provide their customers with the following types of prospecting surveys: aeromagnetic, radioactivity, electrical, gravitational, geological remote sensing, and a combination of these surveys. IASC has conducted geophysical prospecting over 17 million km and has had hundreds of mineral finds. Of these most are of high value use. It has also discovered over 200 medium sized finds. These have provided the nation with urgently needed mineral resources. IASC's geophysical prospecting is widely used in geology, mineral resource surveys, and other specialized geological surveys.

In May of 1978 IASC provided aerial service for petroleum prospecting in the Bohai Gulf for the first time. This was a prelude to the development of China's ocean petroleum operations. Currently its area of service has expanded to the waters of the Yellow Sea, East China Sea, and South China Sea. It has also expanded inland and has supplied aircraft for petroleum exploration reaching to the Chaidamu Basin in Qinghai and the Talimu Basin in Xinjiang. The land and ocean petroleum prospecting business grew out of the advancing

petroleum industry. During operations IASC helicopters can ferry changing shifts of workers, service personnel, technicians, management personnel, foreign experts, and provide safe and comfortable transportation of necessary equipment and geological information, provide urgent medical aid, evacuations, fire fighting, and security patrols.

While serving a vast number of domestic customers IASC also entered the international general aviation market. One after another it assumed the tasks of aerial photography, aerial geophysical prospecting, and the training of aerial photography technicians for Korea, Vietnam, Laos and Macao. This year IASC supplied helicopter service to 8 petroleum geology companies (groups) from the US, UK, France, and Japan, and 4 domestic petroleum geology groups for land and ocean petroleum exploration. These helicopters accumulated 35,000 hours of flight time. IASC also provided air service to travelers from various countries. Its cargo transport company has already opened scheduled cargo flights to Japan and Hongkong, and a parcel post operation.

IASC started in the aerial hoisting business in the 1960's. Its uses are now mainly for installing high voltage wire towers, laying electric cable, constructing upper stories in buildings, intact lifting of exhaust stacks, erecting bridges, and hoisting and installation of geological measurement devices and equipment. Aerial hoisting has the advantages of being fast, efficient, safe, and economical. It is an important part in the construction process of electrical, building, and petroleum projects.

Other businesses of the IASC include forest protection, aerial seeding, making movies and television film, spreading chemical fertilizer, dispensing herbicides, controlling insects, making rain, and observing schools of fish. Supplying comprehensive surveys to scientific research departments, performing atmospheric measurements, and conducting aerial surveys of wild animal resources are also in the scope of IASC activities.

IASC's transport company can transport fresh vegetables, fruits, seafood, precision instruments, live plants, dangerous products, normal cargo and mail, and special military goods and materials.

General aviation is very complex work. In the overall process from start to finish full play must be given to personnel taking the initiative. Business must be done all year round in field operations, complicated areas, rush jobs, and under difficult conditions. After many years of operations IASC has cultivated a flying team that has a good outlook, a high level of professionalism, abundant experience in management, a steady and dependable style of work, the ability to withstand hardships, and is very hardworking and one that can accomplish various types of difficult aviation tasks. The Taiyuan Co. has flown safely for 20 years. At the end of 1986 it had flown 125,000 hours and covered 6.75 million square km with its aerial photography. In 1986 it was selected as the CAAC's cultural unit. The Handan Co. M18 Helicopter

Unit has entered its 18th year with a safe flying record. It has flown 21,000 hours without a serious accident. IASC pays special attention to safety. It has 40 special grade and top grade safety personnel.

"Safety first, customers first, quality first, and reputation first," this is the aim in service and standard for actions for all IASC workers, staff, and cadre. In order to continuously increase the professionalism of workers and staff, IASC has set up a training center and mid-level specialty school. It conducts training in stages and in groups, each year it has 600 workers and staff (20 percent of its total number) undergo refresher training. Additionally it sends personnel abroad for advanced studies, and invites experts in China and from other countries and scholars to give lectures. The IASC encourages and awards personnel who take correspondence courses in order to increase their technical ability and be able to meet the requirements of new situations and the development of new projects.

The IASC is an old enterprise with a long history and also a new enterprise full of vitality. We say it is an old enterprise because of the outstanding accomplishments it has had over the last 30 years. We call it a new enterprise because it has made a marked increase in its activity during the tide of economic system reform. For example with the Ministry of Coal Industry it created the "United Aviation Remote Sensing Company." It also participated in opening up the telegraph project for the Pingshuolutian Coal mine. It established the "China Aviation Transport Company" with the Foreign Transportation Corp of the Ministry of Foreign Economic Relations and Trade. It opened a consultation center and signed a joint business agreement with the Chinese Academy of Sciences' Applied Remote Sensing Research Institute, the Ministry of Railways' Special Design Academy, the Sichuan Survey Technology Center, and the Ministry of Nuclear Industry's Science and Technology Center. The IASC will further expand its scope of operations, such as in various aerial spectrum photography, 1 to 1500 scale aerial mapping, land registry measurement, setting property borders, and remote IR scanning.

12704

#### **Accomplishments, Future Growth of China United Airlines**

40070378A Beijing GUOJI HANGKONG  
[INTERNATIONAL AVIATION] in Chinese  
No 6, 5 Jun 88 pp 8-9

[Article by Zhao Zhenbo 6392 2182 3134: "The Rapidly Developing China United Airlines"—First paragraph is source-supplied English introduction.]

[Text] China United Airlines was established at the end of 1986. It is a new force in airline industry in China. Although CUA carried 270 thousand passengers in 1987, it has played a role in boosting air transport development.

China United Airlines (CUA) has been a member of China's civil aviation industry for one year. In 1987 it carried 270,000 passengers in China and abroad, and transported 317 tons of cargo while safely and successfully exceeding its planned goals for the year. Although these figures may seem small, it has already made up for some of the shortcomings in the tight situation of civil aviation transportation. It is a good beginning.

Along with continuously intensifying China's opening up to the outside world, its policy of invigorating domestic industry, and overall reform of the economic system, the task of alleviating and improving the situation of China not having sufficient civil aviation transport capacity abroad has also become extremely urgent. In order to accomplish this, comply with the spirit of Deng Xiaoping's instructions, and with the concern of the leading members in the State Council and organizational direction and help from concerned departments, CUA was officially established on 25 December 1986. A year's worth of trying has showed that using all available resources for civil aviation is very effective and suits China's national conditions.

CUA at present is mainly conducting scheduled and non-scheduled passenger and transport flights along with a temporary chartered plane business. Currently it has 24 scheduled flights with the Beijing Nanyuan Airport as its northern base and its southern base located at the Guangzhou Foshan Airport. It connects with 17 medium and large cities throughout all of China, including a number of medium-sized cities not served by CAAC such as flights between Beijing to Anshan, Nantong, and Jinzhou; the Beijing-Shuofang (Wuxi, Suzhou)-Guangzhou flight, the Jinan-Guangzhou flight, and the Beijing-Xuzhou-Shanghai flight. These flights have filled a gap in China's civil aviation transportation. CUA established 22 local companies throughout China, set up more than 30 ticket purchasing points, and completed the preliminaries on a nationwide business network. From now on with expanding business and improved aircraft facilities, CUA will actively create favorable conditions and gradually develop an international transport business.

Since this company first started transport, it has put safety first, maintained flights on schedule, treated passengers with courtesy, invigorated the economy of various areas, had serving the four modernizations as its aim, got a handle on its business construction, set up a safety committee, formulated a complete set of rules and regulations. From top to bottom, it has a fairly complete dispatching system and a flight safety department.

From an operations point of view, CUA has an advantage of being flexible. It can supply a number of different types of aircraft in a short period of time and can fly to the majority of airports in the country. At the same time, it can dispatch passenger and cargo aircraft in a fairly short time according to customer needs, it can also add flights for holiday changes and temporary demand. Last year the company added extra flights for Christmas, the

Spring Festival, the Guangzhou Export Commodities Fair, the 6th All China Athletic Meet, and the Shandong Weifang International Kite Festival. The company received the praises of our compatriots from Hongkong and Macao, and from our countrymen living abroad. Also last year 131 passenger aircraft and 34 cargo planes were chartered from CUA by foreign officials, merchants, organizations, and financial groups. Additionally, around October of last year the company satisfactorily completed the task of altogether transporting 200,000 chicks for import. During the first part of December the company transported 200 head of pregnant milk cows being given to China by the Federal Republic of Germany. The airline transported the cattle from Beijing Airport to Dongying City in Shandong province. This marked the first air transport of a large number of livestock by China and the efforts of the airline received praise from foreign and domestic customers.

Before CUA was officially established it was operated on a trial basis for a period of time. During that period it was called the China Airlines Transport Service Company and was adopted as a charter airline type service for society. It is now called the CUA with the stress on "united", by uniting various local governments and large enterprises everyone can jointly operate civil aviation. This year many local governments have invested in capital construction. They have invested in aircraft repair shops, storage hangars, and purchased transportation, communication, and safety inspection equipment. Some are raising money to purchase aircraft. CUA operations over the last year have resulted in great benefits for local areas. The places it flies to are mostly not served by the CAAC, naturally this is welcomed by local governments. Taking Wuxi as an example, it has 3 counties under its jurisdiction, a population of 3.8 million, and over 6,500 small and large enterprises. Formerly this area's railroad transportation was very tight and could only sell 100 rail tickets. To purchase a ticket a person had to rush around to 4 different places. This situation was even worse in Suzhou and Changzhou. Since CUA started servicing these areas flying has become the main form of transportation for personnel from enterprises in this area going to conduct business in Beijing and Guangzhou. A leading person from Wuxi happily said "Aircraft coming here has invigorated Suzhou, Wuxi and Changzhou." A responsible person in the Jiangsu Provincial Government said, "Establishing the Beijing-Nanjing-Foshan flight has meant a great deal to the economic life of people in Jiangsu. This indicates that Jiangsu civil aviation operations have already started toward new stages of operations." After CUA opened its flight from Beijing to Yinchuan the foreign economic cooperative projects of Yinchuan were noticeably increased. The number of sightseers and tourists from Moslem countries coming to Yinchuan is also increasing.

According to a responsible person of CUA, the company is going to start fully utilizing its available transportation capacity. During 1988 it will open flights from Beijing to

the cities of Haikou, Guanghua, Yancheng, and Weihai. In addition they will open cargo flights and greatly expand their cargo transportation business. Furthermore in 1988 the company will import advanced aircraft to increase its cargo transport capacity and open up new flights. In the area of personnel training the company has already selected and will continue to select administrative personnel and specialists for combined training or send personnel to the Civil Aviation Academy for training in order to raise the quality of its staff and workers.

12704

**Demand Still Exceeds Growth in Transport**  
*HK1808003688 Beijing CHINA DAILY in English*  
18 Aug 88 p 1

[By staff reporter Guo Zhongzhi]

[Text] China saw an overall rise in its public transport for cargo and passengers in the first six months of this year.

Land, water and air transport departments all over the country reached or overfulfilled their half-year plan, the State Statistical Bureau reported.

However, the bureau warned that the growth in transport has yet to meet the need of the rapidly developing national economy. It said the strain in passenger transport is likely to get even more acute.

The bureau said that the nationwide cargo volume amounted to 988.9 billion ton kilometres and passenger volume totalled 265.1 billion person kilometres in the first six months of this year. The increase in cargo was 6.9 percent and in passengers was 7.7 percent over the same period last year. (One ton kilometre equals one ton of goods moved one kilometre).

Rail departments devoted their main attention to the heavy task of stepping up repair and supervision of transport facilities following several major transport accidents early this year, the bureau said. The railways also have ensured a steady increase in the transport of coal, timber, petroleum, steel, fertilizer, pesticide, grain and cement.

A sharp increase in the number of passengers this year has resulted in serious overloading of trains. The bureau said that in June alone the railways added 744 temporary passenger trains across the country. The volume of passengers exceeded 100 million people monthly in March, April and May.

Looking at the latter half of this year, the bureau predicted that cargo transport increase rate will drop because of the lopsided growth between transport capability and cargo volume.

At the same time, more passengers will be taking trains because of the sharp price rises in airplane fares.

The lingering problems will aggravate transport difficulties, the bureau said. It noted the increase in the demand for coal already has exceeded the growth in transport. This causes many industrial departments to use their reserves and major mines to produce according to available transport.

**Construction Begins on 27 Key Highways**  
*HK1608131388 Beijing CEI Database*  
in English 16 Aug 88

[Text] Beijing (CEI)—China has started construction of 27 key highways and expects to have 8,810 km of new highways ready by 1990, disclosed an official from the Ministry of Communications.

The 27 key highways are Beijing-Tianjin-Tanggu expressway, Beijing-Shenyang, Datong-Taiyuan-Yunchen, Xiling-hot-Shaihantala, Shenyang-Harbin, Shenyang-Dalian, Siping-Hunjiang, Nanjing-Shanghai, Shanghai-Hangzhou, Hefei-Nanjing, Nanjing-Hangzhou, Fuzhou-Xiamen, Guangzhou-Zhuhai, Nanning-Beihai, Shilin-Kunming-Anning, Baotou-Lanzhou, Xining-Lanzhou, Xining-Guolo, Beijing-Guangzhou, Huangshi-Wuhan, Baotou-Fugu, Yantai-Qingdao, Taian-Qupu, Guiyang-Huangguoshu, Chengdu-Leshan-Emei and Taihe-Chonghua highways, and the Chinese section of the Sino-Pakistan highway.

**Economic Briefs on Shipping, Investment, Mining**  
*OW2208044788 Beijing XINHUA in English*  
0201 GMT 22 Aug 88

[Text] Beijing, August 22 (XINHUA)—Today's economic news briefs:

**Nanjing-Hong Kong Container Service**

Regular container service has started between Nanjing and Hong Kong using a ship of 7,600 tons dwt.

**Yantai Attracts More Foreign Funds**

Yantai City in Shandong Province signed 51 contracts worth 37.6072 million U.S. dollars—25.5343 million U.S. dollars in foreign investment—in the first six months of this year.

**Biggest Coal Mine Operational**

Jiangsu Province's biggest coal mine has gone into production at Xuzhou City. The mine is expected to produce 1.2 million tons of coal a year.

**Beijing-Stockholm Air Line Open**

A Beijing-Stockholm air route will officially start on August 25 with a weekly flight every Thursday.

## PRC MEDIA ON FOREIGN ECONOMIES

### **Nine Lessons From Hungary on Economic Reform** *40060431 Shanghai SHIJIE JINGJI DAOBAO in Chinese 20 Jun 88 p 4*

[Unattributed article: "Dr Daibona Talks About the Nine Lessons From Hungary on Economic Reform"]

[Text] Economic reform in Hungary already has many decades of history. What are the most important experiences learned and what are the most essential lessons gained? This has already become a discussion topic that people have paid extremely close attention to. On the occasion of the 1988 Hungary Trade Lecture and Exhibition held in Shanghai, Hungary's famous professor of economics and politics, Daibona [2071 0130 4780], made a special trip to the meeting. He was frank and blunt, and put forward the nine most important lessons from Hungary's economic reform:

1) During the current phase of socialist construction, there is no other choice but to implement radical social, economic, political and ideological reforms. Comprehensive reform must be implemented to change, on a fundamental level, the socio-economic structure and pattern that was formerly developed.

2) Before carrying out economic reform, reform must first be carried out in the realms of the superstructure of political thought. Otherwise, the systemized and ossified methods of thinking that have already developed in these realms will hinder and even suspend or reverse economic reform. This point has already been confirmed by a few socialist countries that have had economic reforms that were given up halfway through or that fell through. If economic reform is divorced from the political system, the pattern of consciousness, the deepgoing reform of the superstructure, and democratization of social life, then economic reform will only be a "empty thing." The sooner the leadership of a country starting out on structural reform of the economy recognizes this relationship, then the greater are the prospects for success. But Hungary recognized this quite late.

3) To reform the former economic supervision and management system which did not consider established standard rank orders of value and ideas of benefit and practiced bureaucratism, it is necessary to basically eliminate the egalitarian viewpoint and distribution pattern linked with the former "socialism." This kind of egalitarianism in reality is just the continuation and existence of exploitation in a concealed form. Therefore, the reform measures accompanying the redistribution of big margin revenues will best be adopted during the period when the economy is rapidly rising.

4) In starting to achieve the comprehensive target system of the economic reforms, it is best to first fundamentally reform ownership and the relations of ownership, and

work from the establishment of varied forms of public ownership. Otherwise, it will be impossible to achieve all the other basic objectives of the economic reform. This point was only recognized by Hungary in the 1980's. This kind of economic base which gives expression to many-sided interests, also needs to carry out corresponding reforms on the socio-political, consciousness and superstructure levels. This is because many people feel that to make it consistent with the old forms of socialist thought is still too difficult.

5) Another substantive and essential point is to establish a competitive market which expands to include all the key elements of production, and the service element, and which guarantees equal terms for all business organizations. The condition of "the state regulates the market and the market guides enterprise" can only be set up through the formation of a "buyer's market." But this can be realized only if monopolistic conditions are eliminated and only when all future necessary budget subsidies are directed away from the producers to the consumers.

6) Besides the two aspects of reform described above, to establish an economic measurement index system that accords with the requirements of merchandise economics and market competition is a key problem of the reform. The reforms of prices, wages, tax revenues, interest rates, and exchange rates that are involved, must as far as possible and all together (at the same time) be carried out in harmony with each other. This is because, in the operating process of the economy, these standards of grading value are all inseparably and mutually inter-related, and mutually influence one another. If even one among them fails to reflect the actual proportion of value, this will cause all the other standards of grading value to become distorted, thereby making the economic leadership and the enterprises unable to become images that the people can trust in and unable to have penetrating knowledge of the actual course of the economy. If this happens then it is indeed possible that a wage-price spiral will arise, and measures taken to curb this, owing to the nature of administrative decrees, will sooner or later become totally ineffective or will make shortages appear.

7) That kind of course of reform that seems to be full of piecemealing, drawn out and constant stagnation and retreat, followed again by reorganizing for a new start, is the so-called "half step policy." Ultimately this will lead to the formation of a special nondescript administration and management system. China figuratively calls this "the double track system." Hungary in a somewhat derogatory sense evaluates it as "neither a planned economy nor a market economy." This kind of system will ultimately lead to the unreasonable outflow of income, and lead to the release of purchasing power which has no merchandise base for it. This also leads to the collapse of the equilibrium between supply and

demand in society. Its direct consequence is the intensification of currency inflation. Later, with the administrative measures to tighten things up, there will be an increase in measures that run counter to the spirit and substance of the reform. So far no socialist country that has entered into reform has been able to break out of this kind of "magic circle." I hope that China can be the first country to do this.

8) In the course of Hungary's reform, an important reason why there has been much delay and suspension is that the harsh and merciless objective causes and the mandatory external conditions have lead to this. The damage caused by the skyrocketing of prices in the world market that occurred twice in the 70's was to Hungary virtually a national disaster.

9) In the middle of the 70's, the economic and political leadership of Hungary was unable to answer the challenge of the world economy through quickening the progress of reform, condensing the production and consumption, forcefully implementing the structural changes that needed to be done long ago. This was a strategic mistake and a bad policy decision which will have serious consequences. Now, to carry out those reform steps and measures that we already missed the opportunity to implement will be much more difficult than before. Now if Hungary wants to adhere to and promote reform, and carry out reform to the finish, then on the one hand we will need personal courage and on the other hand we will need forceful determination and steadfastness of principles. Hungary has a saying: "Once a piece of iron is cool, even if once again one exerts all one's strength, one cannot mould it to shape." Its meaning is once you start to do something, you should complete it in the shortest time possible. Thus, if we let slip a ready-made opportunity, and instead infinitely delay the progress of this work, we will be unable to achieve our long-awaited success.

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## AGRICULTURE

**Interview on Farmland Occupation Tax**  
40060435 Shijiazhuang HEBEI RIBAO in Chinese  
24 Jun 88 p 2

[Interview with a responsible comrade of the Hebei Provincial Finance Department on questions about the collection of farmland occupation tax by a staff reporter; names, date, and place not given.]

[Text] Last year, the State Council promulgated the "Interim Regulations of the People's Republic of China on Farmland Occupation Tax," and the provincial government enacted the "Procedures for the Collection of Farmland Occupation Tax in Hebei Province." Readers

have written to this paper, inquiring about these regulations and procedures. For answers, our reporter paid a visit to a responsible comrade of the provincial finance department.

**Question:** Please tell us, what is the reason for the levying of the farmland occupation tax?

**Answer:** As everybody knows, agriculture is the foundation of the national economy, and grain is the foundation of foundations. At present, agricultural development has slowed down, and grain production is not getting any higher. The situation is causing the whole nation to feel deeply concerned. To stimulate agricultural development and increase grain production, not only is it necessary to intensify rural reform, readjust policies, straighten out relations, and actively popularize the application of agricultural technology, but it is equally important to protect farmland, increase input, and pay attention to the development of agricultural resources. This is the reason for the introduction of the farmland occupation tax.

First of all, the purpose in levying the farmland occupation tax is to strengthen land management, prevent indiscriminate seizure and misuse of farmland, and encourage prudence in occupying farmland by legal and economic means. Ours is a country with a large population but not enough land. Since the founding of the People's Republic, particularly in the last few years, with economic and other developments, the improvement of the people's living standards, the continuous development of urban and rural enterprises, the rapid growth in residential housing construction, and the lack of strict land management, more and more farmland has been occupied for nonagricultural purposes. In the 20 years between 1957 and 1977, China's farmland was reduced by 436 million mu, averaging 22 million mu each year. Between 1949 and the present, the population in Hebei Province has increased by nearly 80 percent, but farmland has decreased by 9 percent, and per capita possession of farmland has dropped from 3.5 mu to 1.77 mu. We have to feed 22 percent of the world's population on only 7 percent of the world's farmland. Obviously this is an extremely difficult task. If the rapid decrease of our farmland continues, the consequences would be disastrous.

Second, the purpose in levying the farmland occupation tax is also to use the tax revenues to develop agricultural resources, improving farmland quality and reclaiming wasteland that can be brought under cultivation to make up for the loss of farmland. As everyone knows, with the continuing economic development and improvement of the people's living standards, it is impossible to keep all the existing farmland from being occupied and used for other than agricultural purposes. While trying to occupy as little of the existing farmland as possible, we need to invest certain amounts of money to improve the remaining farmland and make up for the loss in land resources. The collection of farmland occupation tax is "money



taken from the land and used on the land" and "money taken from agriculture and used for agriculture." The State Council has made it clear that the farmland occupation tax revenues collected by the central government will be used on a priority basis for the development of the Sanjiang Plain and the Huanghe-Huaihe-Haihe Plain, the latter involving 112 counties along the Haihe basin in our province. The State Council has also made it clear that the central government will stop or reduce investment in provinces which have development tasks but fail to do a good job in collecting the farmland occupation tax. Therefore, it does matter a great deal to our province whether we do a good job in collecting the farmland occupation tax.

**Question:** Last year, we did a poor job in collecting the farmland occupation tax. What were the major causes? What measures will be adopted this year?

**Answer:** Last year, our province should have collected 200 million yuan in farmland occupation tax, but actually collected only 17.2 million yuan, or 8.6 percent of the target. The causes were: 1. Measures for the collection of the tax were made public rather late in our province, and many organizations and individuals had already occupied farmland before the measures came into effect. This made collection more difficult. 2. Not enough publicity was given to the tax, and large numbers of cadres and people did not know its significance and procedures for its collection. 3. The newly introduced farmland occupation tax was imperfect in many ways, and the collection measures were far from effective. 4. Some local departments and leaders thought that "the collection of farmland occupation tax was not in the interest of the local economy" and paid no attention and gave no support to the collection. Some even expanded exemptions without authorization.

To do a good job in collecting the farmland occupation tax and meet the revenue target for 1988, we have taken the following actions: 1. We have used all forms of mass media to give wide publicity to the significance of the farmland occupation tax and the procedures for its collection to make it known to every household. 2. We have strictly enforced the law and discipline. Anyone who occupies farmland for housing or other nonagricultural purposes must pay tax according to law. Unauthorized exemptions must be corrected without exception, and tax owed must be paid in full. We have checked all those who have occupied farmland but failed to pay taxes and urged them to pay up. All those who owed or evaded taxes are severely dealt with according to the tax law. 3. We have improved the collection measures. The procedure which requires tax payment before land occupation is strictly enforced in all localities. Approval for land use, tax payment, and issuance of land use certificates have become an integrated process. Those whose taxes are overdue are fined for late payment according to regulations, and the amounts owed are withheld by their banks from their deposits.

**Question:** The "Interim Regulations on Farmland Occupation Tax" stipulates that organizations and individuals who occupy farmland for housing or other nonagricultural purposes are all required to pay farmland occupation taxes. What is included in the farmland referred to here?

**Answer:** The "Interim Regulations on Farmland Occupation Tax" stipulates that farmland refers to land used for growing crops. Land on which crops have been grown in the 3 years prior to being occupied for other purposes is regarded as farmland. Specifically farmland includes: 1. land growing grain crops and industrial crops; 2. land under garden-style cultivation of vegetables, melons, and flowers; 3. land growing special agricultural and forest products; 4. land and water surface growing or breeding aquatic plants and animals; and 5. auxiliary facilities serving agricultural production (drying ground, for example). To use any of the above-mentioned land for housing and other nonagricultural construction, one must pay farmland occupation tax according to regulations. Taking into consideration the fact that beaches and water surfaces on which aquatic plants and animals are grown or bred would otherwise have remained idle, the "Procedures for the Collection of Farmland Occupation Tax in Hebei Province" stipulates that such beaches and water surfaces are exempt from occupation taxes for the time being. However, fish ponds dug on land formerly used for crop growing are taxable.

**Question:** How is tax computed on farmland occupied by organizations or individuals for housing and other nonagricultural purposes?

**Answer:** The "Interim Regulations on Farmland Occupation Tax" stipulates that farmland occupation tax is levied according to the area of farmland actually occupied by the taxpayer, computed by the square meter. The amount of occupation tax per square meter is determined on the basis of each place's per capita farmland area and the local economic conditions. The "Procedures for the Collection of Farmland Occupation Tax in Hebei Province" has set the tax rate per square meter for each county. The tax per square meter for each town and township will be determined by the county people's government, on the principle that the average is not less than the tax rate set for the county.

**Question:** What are the exemptions stipulated by the "Interim Regulations on Farmland Occupation Tax?"

**Answer:** The "Interim Regulations on Farmland Occupation Tax" and the "Procedures for the Collection of Farmland Occupation Tax in Hebei Province" stipulate that authorized taking over of farmland for the following purposes is exempt from farmland occupation tax: 1. land used by the armed forces and military installations; 2. land used for railway lines, airport runways, and aircraft parking areas; 3. land used for storage of explosives; 4. land used by schools, kindergartens, homes for the aged, and hospitals; 5. land used by funeral parlors



and crematories; and 6. land used for irrigation and water conservancy facilities directly serving agricultural production. The "Interim Regulations" stipulates that rural residents using farmland for housing construction will pay farmland occupation taxes at half the ordinary rate.

The "Interim Regulations" also stipulates that family members of revolutionary martyrs, disabled revolutionary soldiers, widowers, widows, orphans, and the childless in rural areas as well as poor peasant families in old revolutionary base areas, regions where minority nationalities live in compact communities, and impoverished remote mountainous areas, who have difficulty in paying tax for building new homes on land within prescribed limits, may have their tax reduced or exempted by filing a petition for review and approval by the local township (town) and county people's governments. The "Procedures for Collection of Farmland Occupation Tax" stipulates that people displaced by reservoirs, victims of natural disasters, and refugees, who use land to build new homes, are exempt from farmland occupation taxes. Simply built roads in rural areas and highways built under state work-relief programs in economically underdeveloped areas, old revolutionary base areas, minority nationality regions, border areas, and impoverished areas, where collection of farmland occupation tax is really difficult, may be exempted from taxation with the approval of the county people's government.

Except for the above-mentioned, no organization or individual may expand tax reductions or exemptions without authorization. Really justifiable reductions and exemptions must be reported to the State Council or the Ministry of Finance for approval.

**Question:** What does the "Interim Regulations on Farmland Occupation Tax" stipulate about collection and management?

**Answer:** The "Interim Regulations on Farmland Occupation Tax" stipulates that farmland occupation taxes are to be collected by government financial departments. Organizations and individuals, who have obtained approval for the use of farmland, should file reports and pay taxes to the financial departments within 30 days from the date of approval. Those who fail to do so will be fined 0.5 percent of the amount of tax due for each day past the due date. Organizations or individuals, who have been given approval to occupy farmland but failed to use it for more than 2 years from the date of approval, will be levied an additional farmland occupation tax of no more than twice the normal amount. Those who have occupied farmland without approval or in excess of the approved limit will be dealt with by the land management departments according to relevant provisions of the "Land Management Law," and then they will be taxed by the financial departments according to the facts. When there is dispute between a taxpayer and a financial department about tax matters or the way violation of regulations is handled, the taxpayer must first

pay the tax and fine as determined by the financial department and then file an appeal within 10 days to a higher financial department for a review. The higher financial department should give an answer within 30 days after receiving the appeal. If the taxpayer finds the answer unacceptable, he can sue at a people's court within 30 days after receiving the answer.

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**Alternative to Three Gorges Scheme Proposed**  
*HK1908043188 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 18 Aug 88*

[Text] Experts have proposed an alternative to the Three Gorges project by building dams at Xiangjiaba and Xiluodu on the lower Jinsha Jiang in Sichuan. The Three Gorges project is a vast project that has attracted world attention and caused controversy over the past few years. The fourth enlarged meeting of the demonstration and proof group for the project decided that studies of an alternative scheme should be made in the course of demonstrating the feasibility of the Three Gorges project. After 3 and 1/2 months of investigation and analysis, an investigation team of the southwest (?branch) of the Academy of Science decided to recommend the building of dams at Xiangjiaba and Xiluodu on the lower Jinsha Jiang in Sichuan as an alternative to the Three Gorges project.

The experts held: The installed generating capacity of the original Three Gorges scheme is 17.68 million kilowatts, and the generating capacity of the Xiangjiaba and Xiluodu power stations would be 15.08 million kilowatts, which is a comparable figure on a project of such size. The guaranteed power [word indistinct] of the original Three Gorges project would be 36 to 49.9 million kilowatts; the figure for Xiangjiaba and Xiluodu would be 51.5 million kilowatts during the low water season, thus exceeding the Three Gorges project.

The original Three Gorges project would generate 70 to 84 billion kwh of power a year; Xiangjiaba and Xiluodu would generate 81.4 billion kwh a year, almost the same. The original Three Gorges project would store 16.5 billion cubic meters of water; the Xiangjiaba and Xiluodu scheme would store 16.83 billion cubic meters. As far as investment is concerned, the total investment in the original Three Gorges project would be 34.1 billion yuan; for the Xiangjiaba and Xiluodu scheme, the figure would be 16.8 billion. This would be an investment advantage. The Three Gorges project would require the movement of 1.2 to 1.4 million people; the alternative scheme would only require the movement of 86,000. Investigations of the flood control, silting, and transport aspects have shown that the Xiangjiaba and Xiluodu scheme is superior to the Three Gorges project.

The experts stressed that the departments and leaders concerned should attach importance to this question, step up publicity for the alternative scheme, and gain

better knowledge of the Jinsha Jiang. If this alternative scheme is adopted, it will certainly be a major affair of historical significance for bringing happiness to the people.

**Government Meeting on Water Shortage Held**  
*SK1908025088 Shijiazhuang HEBEI RIBAO in Chinese 3 Aug 88 p 1*

[Text] Our province's serious shortage of water resources is making the people worried and uneasy. At a meeting on 1 August to discuss ways to increase the province's water resources and reduce water consumption, Vice Governor Zhang Runshen said that water shortage has become the main factor restricting our province's national economic and social development and that easing Hebei's contradictions in water shortage has become a task of top priority.

The main purpose for the provincial government to hold this discussion meeting in Beidaihe is to study and discuss measures and ways to ease Hebei's shortage of water resources on the basis of analyzing the whole province's water shortage situation. Leading comrades and experts from the State Planning Commission, the Ministry of Water Resources, Ministry of Construction, the China International Engineering Consulting Corporation, and the Planning Institute and Sea and River Water Resources Committee of the Ministry of Water Resources were invited to attend the discussion meeting.

In his speech, Zhang Runshen gave an account of the province's desperate situation in the current water crisis. He said: Our province's current water shortage situation is very serious. The province's average per-capita water resources available for the people is only 276 cubic meters and the average amount of water for each mu of arable land is only 152 cubic meters, which are respectively less than  $\frac{1}{8}$  and  $\frac{1}{10}$  of the national average figures. Our province is one of the provinces throughout the country with the least water resources available. For a long time, drought has always been a serious threat to the province. For a long time, drought has always been a serious threat to the province. Owing to the fact that there are scanty surface water, so far, our province can only rely on excessively tapping underground water to maintain the industrial and farming operations with great efforts. We have to excessively tap an annual average of 2 to 3 billion cubic meters of water, thus causing the underground water level to continuously decline every year and forming more than 30 large infundibular areas. Water shortage restricts the province's industrial development and distribution, and seriously affects agriculture. Many places have difficulties in supplying drinking water for the people and livestock. This causes inland navigation to suspend, the water areas of freshwater fish farming to decline greatly, and the environment of water areas to deteriorate unceasingly. Water demand will further increase along with the development of industrial and agricultural production, and

improvements in the people's livelihood. The contradictions between water supply and demand will become increasingly acute.

Zhang Runshen said: Over the past few years, our province has done much to solve the water problem in the whole province. In the agricultural sector, all localities have given priority to readjusting the agricultural structure and innovating the irrigation and water delivering techniques. To save water in the urban areas, we have paid attention to reducing water consumption for industries and raising the rate of reusing water and have achieved remarkable results. However, this still cannot make up for the natural deficiency of water. Therefore, while continuing our efforts to save water, we must divert water from other river basins to supplement our water resources. So far, two projects to increase water are being actively prepared in our province: The first project is to build the Taolinkou reservoir in Qinglong He which is a tributary of Luan He; and the second project is to "divert water from Huang He to Baiyangding." Zhang Runshen hoped that all leading comrades and experts who came to the province to attend the discussion meeting on increasing water resources and reducing water consumption will help us to rapidly promote the early implementation of these two projects.

Vice Governor Song Shuhua presided over the meeting. Zheng Deming, director of the provincial water resources department, reported on the general situation in developing the province's water resources. The meeting will last for 5 days, during which the province's major water resources problems and timely measures will be comprehensively discussed.

**Northeast Forests Suffer From Excessive Felling**  
*OW1908023688 Beijing XINHUA in English 1143 GMT 18 Aug 88*

[Text] Beijing, August 18 (XINHUA)—Excessive felling of virgin forests has reduced timber resources and is disturbing the ecological balance in northeast China, the country's leading timber producer, the CHINA ENVIRONMENT JOURNAL said today.

Forests in the northeast account for one-third of China's total and the timber output, up to half of the total.

But because of excessive felling, timber reserves in the Xiao Xingan Mountains in Heilongjiang Province have shrunk by two-thirds from 310 million cu m in the early liberation years.

The mature primeval forests in the Changbai Mountains, Jilin Province, have a reserve of only 150 million cu m. If the current trend of indiscriminate felling continues, the journal said, almost all the forests will have disappeared by the end of the century.

Now, forest resources in 8 of the 40 forest industry farms in Heilongjiang are exhausted and 5 of the 17 farms in Jilin have no mature forests to fell.

The area of eroded land in Heilongjiang has expanded to 5 million hectares, 4 million of which used to be farmland.

The rainfall on the southern slopes of the Changbai Mountains has been reduced by up to 40 percent in the past few decades and the river flow, 25 percent. Meanwhile, silt in the rivers, including the Songhua and Tumen, has increased by 500 percent.

Many animals and plants, including rare ginseng, are on the verge of extinction. The population of northeast China tigers has fallen below 30.

As a result, scientists called for rational use of the forest resources at a recent academic forum on northeast China's ecological protection.

### **Freshwater Fish Production in Beijing Grows**

*OW1708150388 Beijing XINHUA in English  
1036 GMT 17 Aug 88*

[Text] Beijing, August 17 (XINHUA)—Beijing's output of freshwater fish is expected to reach 37 million kilograms this year, seven million kilograms more than last year.

The season peaks from September to December but already more than seven million kilograms of freshwater fish have been sold on the Beijing market today's BEIJING DAILY says.

Fresh fish production has increased at an average rate of five million kilograms a year over the past five years.

With a chronic shortage of groundwater, the capital has had to increase its fresh fish production by raising the per unit area yield.

To keep up with growing demand, the Beijing Municipal Government has decided to enter into large-scale cooperation with neighboring counties in fish production.

### **Beijing Summer Grain Purchases**

*SK2308032988 Beijing BEIJING RIBAO in Chinese  
8 August 88 p 1*

[Excerpt] By 23 July, Beijing Municipality purchased 89.54 million kg of summer grain, of which 57.31 million kg were purchased under contract, thus fulfilling this year's summer grain purchasing task in quantity and on schedule. Quality of the purchased summer grain was better than last year's. More than 87 percent of the purchased grain was above the medium-grade.

### **Tobacco Production Expected To Rise in 1988**

*OW0709032588 Beijing XINHUA in English  
1437 GMT 6 Sep 88*

[Text] Beijing, September 6 (XINHUA)—China will produce more tobacco this year, according to Jin Maoxian,

*deputy director of the State Tobacco Monopoly Sales Bureau.*

By the end of this year, the state is expected to purchase 1.75 million tons of tobacco leaves, 250,000 tons more than last year, Jin said at a telephone conference tonight.

However, he added, some problems still exist in tobacco sales. Last month the state allowed the prices of top-brand cigarettes to increase according to the market demand, and now some tobacco growers are holding back their products waiting for higher prices.

Jin asked all sub-bureaus to let the tobacco growers know that the State Council will not allow prices to rise any more during the second half of this year.

Jin urged these sub-bureaus to check and overhaul the commissioned wholesale units and revoke the licenses of the unqualified ones and of those carrying out illegal activities.

### **Bacterium Increases Wheat Output**

*HK0709125988 Beijing CEI Database  
in English 7 Sep 88*

[Text] Zhengzhou (CEI)—A bacterium extracted from wheat roots and cultured in the laboratory is boosting wheat output, a national meeting of the Ministry of Agriculture reports.

Developed by a biological research institute of the Hebei Provincial Science Academy in 1981, azotozen converts nitrogen in the air into plant nutrients.

It was used on 148,000 hectares last year and increased wheat output by 76,000 tons.

### **Jiangsu Aquatic Production**

*OW2308021988 Nanjing Jiangsu Provincial Service in  
Mandarin 0915 GMT 8 Aug 88*

[Excerpt] Jiangsu Province's total aquatic production reached 341,000 metric tons in the first 6 months of this year, up 6.3 percent from the same period last year.

### **Shandong Animal Husbandry**

*HK2508122588 Beijing CEI Database  
in English 25 Aug 88*

[Text] Jinan (CEI)—Output value of animal husbandry in east China's Shandong Province is expected to reach 4.8 billion yuan this year, an increase of 7 percent over last year.

In the first half of this year, meat output in this coastal province topped 700,000 tons, milk 112,000 tons, wool 12,000 tons, up 14.2 percent, 15.33 percent and 30.7 percent respectively over the same period last year.

Various animals in stock increased by a big margin, among which, pigs, sheep, meat rabbits and poultry increased by 30 percent, according to statistics.

### Peasant Riot, Student Unrest

40050364 Hong Kong *CHIUSHIH NIENTAI* [THE NINETIES] in Chinese No 222, Jul 88 pp 38-40

[Article by Cheng Ying [2110 1305] in the column "Reform—From Confusion to Crisis": "Repeated Mass Riots in Mainland China"]

[Text] The circular of the Shandong Provincial CPC Committee revealed the real facts of the incident that shocked the whole nation—the peasants of Cangshan County wrecked the county government.

None of the county officials had the courage to come out to stop the peasant riot. As a result, this calamity caused serious damage.

College students unrest, riots of football fans, and robberies happening in all directions indicate that the reform has run aground and the crisis of unrest is brewing.

The people have changed from discontent to passivity and then from passivity to confrontation. Success or failure of the CPC's price and wage reforms hinge on this one action.

Since the first half of last year, some disturbing tendencies have appeared in mainland China. New social problems resulting from mistakes in opening up and reform, especially the people's discontent and fear caused by spiralling price, have touched off a series of riots through different incidents. We are not talking about the Lama riots of Tibet for they have ethnic and religious overtones. We are talking about the peasant riot in Cangshan County of Shandong Province in May 1987, the ups and downs of students strikes at the Beijing University, several train robberies at different locations, robberies of cultural relics and coal mines, and the riot of football fans in Nancong of Sichuan Province in May 1988. These disturbances make us realize that the Chinese society is now under a great invisible pressure—the fiery indignation of the people.

Of course, you may see these disturbances and riots as individual and isolated cases. But, we should not depart from social background and time when looking at issues. The social background is: China's reform has come to a critical moment, the pressure caused by the fear of losing control of prices is increasing daily, and the public, after their hope for the reform turned to observation and then to panic over the past few years, have experienced an emotional change from passivity to confrontation. If we look at social disturbances from this angle, we will have no problem understanding what caused them.

The "27 May" county government wrecking incident, which happened 1 year ago in Cangshan County, Shandong Province, shocked the whole nation, and seemed to be the beginning of a series of "riots against authorities" in the past year or so.

### Circular Reveals Real Facts

This incident of peasants and citizens wrecking the county government was reported several times between May and August by local newspapers, radio stations, and other propaganda organs, but many facts of the incidents often remained untold at home and abroad. Leaders of the county party committee set a tone for the incident: It was (in short) a serious beating-smashing-looting incident in which a handful of evildoers expressed their discontent with the party and the government. As a result, seven criminals were sentenced to 1 to 5 years in prison respectively.

But, in the document No 14, 1987, which was a provincial circular reporting on the outcome of the incident, the Shandong Provincial Party Committee announced the decision to fire the deputy secretary of the Cangshan County Party Committee and to temporarily relieve the secretary of the county party committee of his post for investigation. This shows that the county party committee was also responsible for the way the incident was handled.

Through indirect relations, I was able to read an internal circular which revealed the real facts of the incident. Though this report referred to this incident as "the garlic stalk incident" (Cangshan County is rich in high-quality garlic and garlic stalks) in an effort to cover up its serious nature, it revealed the whole story of the county government wrecking incident. After reading this report, we may draw a conclusion like this: it is the worst mass riot in the past 40 years since the founding of the PRC. We may also make the following analysis: When the great leap forward of 1958 caused nationwide human disasters, the people did not rebel. During the 3 difficult years, the people still had hope in the party and although millions of people starved, there was no riot against the authorities. The Gang of Four ran amuck for 10 years, but there was no mass riot (the nationwide civil strife and sectarian struggles during the cultural revolution are another story.) Now that China is in an era of rule by law and of openness and reform, a riot occurred and thousands of people attacked, wrecked, and robbed a government organ, paralyzing the apparatus of state power. This gives us much food for thought.

### Incidental or Inevitable?

The cause of the incident was very simple.

Cangshan County of Shandong Province is rich in high-quality garlic stalks. In 1986, garlic farmers had a pretty good income and so in 1987 the acreage and density of garlic was increased substantially across the county, sowing the crisis of garlic stalk market from the very beginning. It is understandable that peasants did not know anything about the supply and demand law of the market. What we do not understand is that the county party leaders not only ignored this phenomenon but tacitly consented to the attempt of the county bank,

industrial and commercial bureau, tax bureau, and meteorological bureau to rake in a handsome sum of "garlic stalk money" from garlic farmers who were about to have a bumper harvest. All of a sudden, all kinds of exorbitant taxes and levies were imposed on farmers. In addition to "planting fees," "advanced tax payments," "service charges," "processing fees," "stall rent," "transaction fees," and "scale inspection fees," there were all kinds of "fines." Farmers had to take on heavy burdens before they could even see the crops.

According to the report, the county party committee claimed that it held as many as 49 meetings on the "supply and marketing issue" of garlic stalks (which is one of the excuses the county party committee used to shift responsibility). But the results of the 49 meetings happened to be that they did not understand market situation and failed to set reasonable purchase prices or eliminate exorbitant taxes and levies on garlic farmers. They did not even find out the exact amount of garlic stalks produced in the county.

It was ignorance and bureaucracy plus jealousy over farmers' wealth that caused the leaders of the county party committee to be blinded by lust for gain, and this is the background for the large-scale peasant riot.

#### Riot Begins With a Clamor

A bumper harvest made people happy but a warning signal flashed in sales.

On 22 May, Cangshan County officially began procurement at 8 jiao per kg. In 3 days, when huge amounts of garlic stalks kept pouring into town from all directions, the procurement department was scared. As soon as they estimated that they could not export such a huge amount of garlic stalks, they lowered the price, first from 8 to 6 jiao, then from 6 to 3 jiao, and then to 1 jiao. On 25 May, the purchasing price was only 4 fen, one twentieth of the starting price.

On 27 May, as many as 30,000 to 40,000 garlic farmers went to town, people and vehicles crowded every corner of the county seat, Cangshan County turned into an ocean of garlic stalks, and the aroma of garlic filled the air. Nevertheless, scores of procurement centers received an order: stop purchasing. Garlic stalks were no longer considered as money. Instead, they became a burden. Farmers were in despair.

A desperate and angry farmer shouted: "Let's go talk to the head of the county and party secretaries!"

When farmers tried to find and talk to the members of the county party committee, the several main responsible persons of the county party committee were snoring away during their afternoon nap.

The violence began at noon. Thousands of people swarmed into the building of the county party committee and did everything from wrecking to robbing. All office windows were smashed, all office desks and chairs were broken, and everything that could be moved was taken away.

At that time, secretaries of the county party committee were too scared to come out. They did not even answer the phone. The gate to the mansion of the county party committee was tightly closed and guarded by soliders. None of the leaders showed up during the whole incident. After receiving a phone call on the incident, the prefectural party committee instructed: "Do not hit back when they hit you and do not say anything when they insult you." So, public security officers could do nothing but sat and watched things get worse.

The result of 5 hours of wrecking and robbing was a disaster: 750 pieces of public property were smashed and all sorts of documents, personnel files, and data were torn and robbed, causing a direct loss of over 60,000 yuan. Twenty eight vehicles of different types were smashed (some reports say 30).

#### "We Are the Descendants of the Liangshan Rebels"

The Shandong people are known for their fiery disposition. During the riot, someone shouted: "We are the descendants of the Liangshan rebels. Now is the time for us to rebel."

Of course, we cannot draw a conclusion based on this slogan appeared during a mass riot and say that the real objective of tens of thousands of simple farmers, who were personally involved in the riot, was to overthrow the leadership of the communist party. But, can we say that the "27 May" incident was caused simply by the "workstyle problem of some people" as claimed in the above report? At a meeting held to discuss lessons from the "27 May" incident, a legal personnel said: Given such a stupid mistake in the leadership of production during opening up and reform, if the garlic stalk incident did not happen, there would have been some other kind of incident.

What puzzles us is that RENMIN RIBAO has kept the incident within the base line of "bureaucracy." On 4 August 1987, RENMIN RIBAO carried a front-page article, entitled "Using the Lessons of the Garlic Stalk Incident To Overcome Bureaucracy, The Leading Cadres of Cangshan County Now Have a Much Better Work Style," which gave a slightly happy ending to the incident by dwelling on how cadres went to the mountainous areas and countryside to help prevent and combat flood, "how satisfied farmers were," and etc.

In my opinion, this issue is not as simple as stopping a mass riot. It should be elevated to reactions to mistakes in reforms and opening up—namely, mass reactions from passiveness to confrontation.

Judged from the situation across the nation, fears and unrest resulting from problems caused by inflation have come to the point that they will explode at any minute. In the past few years, new folk songs and cynical remarks have been losing their function of giving vent to the people's complaints which are looking for a new way out, causing frequent "chance occurrences" and many cases of robberies.

### **Mass Robbery Becomes a Common Practice**

Before the cultural revolution, mass robberies, if any, were considered as unforgivable, serious crimes. Nowadays, ordinary people robbing state property have become common news.

According to a news report in May, a train station in the northwest area became the target of robbery for several consecutive days, where a large mob broke in and brazenly walked away with railroad cargoes. Ignoring those who tried to stop them and talk to them, the mob broke into the station as if they were entering an unpeopled land and caused grave damage to the freight transport on that line. According to news reports, such incidents have been happening for a long time.

According to a report of NANFANG RIBAO on 4 June, hundreds of farmers in Renhua County along with over 30 tractors swarmed to the Quren Coal Mining Administration to rob raw coal. They even destroyed rails and factories. Why? Because these farmers willfully decided that the coal mine should give them 10 million yuan for "pollution compensation." Such conduct is no different from robbery. Just like that, 2,000 tons of coal was robbed and the coal mine was forced to stop production.

### **Soccer Fan Riot Leads to Student Demonstration**

The Nanchong soccer fan disturbance, which occurred on 23 May 1988, one whole year after the Cangshan incident, is also a serious mass riot which was touched off by the dispute over the right to enter the national youth soccer tournament between the Tianjin and Sichuan teams.

During the riot in which fans of the Sichuan team were trying to get even with the Tianjin team, members of the Tianjin team did not suffer any direct losses, but the destructiveness of the riot was startling. Two cars and one police vehicle were burnt and wrecked, safety devices of the public security bureau were stolen, windows were broken, and over 80 security officers and armed policemen were injured. The incident did not end there. The soccer fan riot led to a protest carried out on the next day by the students of the Nanchong Normal College. The students demanded that assailants be punished. Instead of the soccer fans who caused trouble, the

students were talking about the public security department which "beat and arrested by mistake" 12 college students. It looked like that a student strike would break out at any moment. Leaders of Nanchong City almost did not survive this crisis.

The above-mentioned mass riot and the early June student demonstration and big-character campus poster incidents of the Beijing University are different in regard to time, locations, and causes, but they do have some similarities:

1. They all used the method of open and collective actions to appeal to society, spread the influence of the incident, attract attention at home and abroad and from leaders at higher levels.
2. During the development of incidents, mass slogans and demands often departed from the original incident that touched off the big one. In fact, all original incidents were only fuses. The masses' real complaints were the lack of political democracy and the privilege, corruption, and incompetence of bureaucrats, and their demands were lifting the ban on demonstration and fighting for their citizen's rights.
3. Many riots where the public were involved had violent activities such as wrecking, robbing, and destroying and burning vehicles. Rioters involving in such violent activities have to pay according to criminal law, but obviously they could not help it. This shows that their resentment has come to the point that they have to vent it through violence. The fact that the targets of their violence were government organs, county party committee buildings, and public security bureaus shows the degree of antagonism between the general public and the government.
4. During the above-mentioned disturbances, Chinese authorities exercised more restraint than they did before in law enforcement and riot suppression and tried to settle the problems through guidance, not by force. This is because the Chinese Communist Party has made progress in its legal system or because the authorities were afraid that too much suppression may stir up greater resistance.

### **Crisis: From Passivity to Confrontation**

Due to the 10 years of calamity caused by the cultural revolution, the people reject movements, fear disturbances, and long for a stable living environment. Because of this, the people welcome the open policy and the reform with hope and joy. But, as the reform deepened, when the people realized that not only their living cannot be improved by the reform but they must bear increasingly greater pressure caused by inflation, when they found out that the freedom, democracy, and political reform they were expecting were nothing but an expired promissory note, when they saw that social practice is degenerating, that bureaucrats and party officials took advantage of the reform to manipulate

power for personal ends, to commit dereliction of duties and to extort money by blackmailing, and that corruption and degeneration were getting worse and worse as each day goes by, they were disappointed. Their indifference toward reform and politics turned into complaints about mistakes in reform. And this crisis of faith finally came to the point that nothing could express it but violence. Even Chinese, who are considered the most obedient and patient people, have come to the point of spontaneous mass "rebellion against the authorities," we can imagine how serious the crisis is in Chinese society. Do the many disturbances of varying scales and degrees occurred in different localities in the past year indicate the beginning of another period of upheaval? This judgement may be a little bit too pessimistic, but even leaders of the Chinese Communist Party could not deny that Chinese society now face "many dangers" in the process of reform and that a serious crisis exists because the ordinary people have changed from passivity to confrontation. They believe that China's reform has come to a moment "when one's fate hangs in the balance" and when one must take the risk and "confront the tough with toughness." The Chinese Communist Party is faced with a rigorous trial.

12302

**Li Tieying Addresses Conference on Education**  
*OW2408163888 Beijing XINHUA in English*  
0600 GMT 24 Aug 88

[Text] Chinese institutions of higher learning will no longer be government affiliates and they can be run in accordance with the actual needs of economic and educational development, said a high-ranking education official here today.

"More powers will be given to them to allow them to become legal persons, and this will be ensured by legislative measures," said Li Tieying, minister in charge of the state education commission.

Li was speaking in the Beidaihe summer resort at a national meeting attended by presidents and communist party secretaries from 109 schools of higher learning, as well as leading members in charge of education at central and local government levels.

At the closing session of the meeting, the minister talked especially about developing chinese education in the new situation of a socialist commodity economy.

He said presidents of universities should turn from being specialists in various scientific fields into professional educators and learn how to run universities at a time when educational institutions are being affected by the impact of the commodity economy.

On the low wages of teachers, he said that the problem is being tackled by the central government in real earnest since a failure in this means failure to develop the economy on the basis of science, technology and education.

Teachers play a key role in educational reform and their enthusiasm should be brought fully into play, he stressed.

Talking about the historical task of Chinese universities, the minister said schools of higher learning can accomplish a lot in this critical period of reform.

"Universities should become an important force in supporting the reform and should contribute to a stable social order favorable to the reform," he said.

Li described university students as the backbone for revitalizing the Chinese nation. As to a small number of them who have bourgeois and unhealthy ideas, he said, "This is exactly where our responsibility lies. We should provide guidance for them and educate them."

**Teachers Complain of Poor Status, Low Salaries**  
*OW1708184588 Beijing XINHUA in English*  
1204 GMT 17 Aug 88

[Text] Hard working and living conditions and poor payment are the major reasons for many teachers, especially those in middle and primary schools, to quit teaching for better-paid jobs.

Today's GUANGMING DAILY, a Beijing-based national newspaper mainly for intellectuals, reported that many teachers quit teaching because of their poor housing and low salary, compared with those of people in other occupations.

Seeing this situation, many students in normal colleges refuse to work as teachers after graduation, the paper said.

The Beijing Normal College saw 68 students, 18 percent of all graduates in 1984, refuse to be assigned to work as teachers. And the college authorities once conducted a survey among 285 graduates working as teachers only to find that 112 had already applied to work in other fields, the paper reported.

Of the 26 college graduates assigned to the Beijing No. 31 Middle School in 1964, only five are still teaching in the school, and east China's Jiangxi Province witnessed almost 1,000 middle school teachers and 575 primary school teachers quit teaching in 1986, the paper said.

Answering a questionnaire issued to 1,000 teachers in Tianjin, 28.5 percent said that they would still choose teaching as their occupation if they were given a second chance.

A young teacher in Beijing who was trying to quit teaching complained that teachers have a low social status, are poorly treated and encounter many difficulties which are beyond their ability to solve.

An official in charge of education in Beijing's Xuanwu District said that there are more than 1,000 teachers' quarters in the district whose area is only 3.5 Sq m or less per person, and 60 households have living space of less than two sq m per family member.

In China, it is common practice for employers and work units to provide housing for their employees. "Since we are not able to better house our teachers, we have to let them go when they quit," a school headmaster was quoted as saying.

Teachers leave the profession also because of low salaries. A survey of 100 teachers in Beijing indicates that their monthly salary is 111 yuan on average, five percent lower than the average income.

A primary school teacher teaching fine arts only had a monthly salary of 80 yuan but since he left to work as a garment designer he makes a monthly income of 240 yuan, the paper said.

**LIAOWANG Discusses Cultural Regulations**  
*HK2308135088 Hong Kong LIAOWANG OVERSEAS*  
*EDITION in Chinese No 33, 15 Aug 88*

[Article by Lei Xining 7191 0823 1337: "The Building of China's Regulations on Culture"]

[Text] China's literature and art circles have the reputation of being involved in many things. The officials of the government department in charge have the strong feeling that most things in literature and art circles are quite a headache. Writers and artists, for their part, have also felt endlessly disturbed by excessive party and government intervention. What should be done to change this situation? This writer recently learned from the relevant department that China is stepping up efforts to formulate laws and regulations in the cultural area and has begun to use the law to control culture.

**An Overall Look at Existing Cultural Regulations**

As early as 1979, the mainland quarters concerned started working on legislation about culture. In the past 9 years, there have been about 210-plus cultural laws and administrative rules and regulations formulated by the NPC Standing Committee, the State Council, and other departments in charge of culture. These cultural laws and regulations involve art (including films), publishing, cultural relics, social culture, libraries, and many other fields. They have played a positive role in promoting and safeguarding the healthy development and growth of China's cultural and art undertakings. A gratifying step

forward has been taken in protecting the legitimate rights and interests of literature and art workers.

—In the art field, relevant cultural departments have successively formulated such rules and regulations as "Tentative Ways To Encourage the Production of Quality Films" (1979), "Tentative Regulations Governing Prizes for the Creation of Quality Films" (1979), "Tentative Regulations Governing Funds for Art Creation" (1984), "Tentative Measures To Examine Movie Scripts and Films" (1979), and so forth.

—With regard to cultural relics, the NPC Standing Committee passed the "Law on Protection of Cultural Relics" in November 1982. In line with the fundamental spirit and rules of the "Law on Protection of Cultural Relics," the State Council and relevant cultural departments have successively formulated the "Measures Governing the Control of Museum Collections" (1986), and "Standards for the Grading of Cultural Relic Collections" (1987), with things made clear about the relations of appropriation and control of cultural relics, and standards for grading them. The "Notification on the Issuance of Applications and Licenses of the PRC for the Unearthing of Ancient Things" (1983) has also been promulgated.

In 1987, to counter the social phenomena of robbing ancient tombs, cultural relics smuggling, and other rampant criminal activities, the State Council promulgated the "Notification To Crack Down on Tomb Robbery and Cultural Relics Smuggling" and the "Notification on Further Strengthening Work Related to Cultural Relics." The Supreme People's Procuratorate and the Supreme People's Court jointly promulgated "Explanations About Certain Problems in Concretely Using the Law To Handle Current Tomb Thefts and Robberies and Illegal Trading in Cultural Relics and Relevant Smuggling," further clarifying legal boundaries in delivering judgments of conviction on the matter of damaging cultural relics and other illegal and criminal activities.

—In publishing, the State Council and the relevant departments formulated the "Tentative Regulations Governing Publishing Work" (1980), the "Notification on Upholding the Right of Publication of Publishing Houses" (1981), the "Notification on the Strict Control of the Publishing of Works of Literature Depicting Violence" (1985), and rules and regulations and technical norms for the printing, distribution, and handling of books. The thorough implementation of these rules and regulations has stimulated the development of publishing undertakings in China.

—In the control of the cultural market, the State Council in April 1985 formulated the "Regulations on the Strict Prohibition of Obscene Matter," strictly banning the import, production (including copying), peddling, and dissemination of various kinds of obscene matter. The scope covering obscene matter and boundaries that distinguish obscene matter from literary works with artistic value, artistic paintings or



pictures of the human body, medically related descriptions of the human body, and works related to natural science was also clearly stipulated. To strengthen control over the market in presenting performances, the State Council approved "the Report of the Ministry of Culture on the Strict Prohibition of Any Private Effort To Organize Actors To Give Performances for Business Purposes" (1983). Later, the Ministry of Culture formulated the "Tentative Regulations Governing Permits Granted to Exhibition Units and Exhibition Sites for Displays of a Commercial Nature" (1985). To sort out the book and magazine market and crack down on illegally publishing and selling books and magazines, the State Council in July 1987 promulgated the "Notification To Crack Down on Illegal Publishing Activity." The relevant department formulated implementation measures. Some provinces and cities have also achieved gratifying results in their exploratory efforts to control the cultural market according to the law. For example, Guangdong, Liaoning, Sichuan, Jilin, and other provinces have drawn up "Regulations Governing the Control of the Cultural Market." Some provinces and cities have also worked out separate measures to control the cultural market.

In addition, to protect the fruits of the labors of cultural workers and the legitimate interests derived therefrom, there have been successively formulated the "Tentative Regulations on Remuneration for Written Works" (1984), the "Tentative Measures About Remuneration for Artistic Publications" (1985), and other documents in the form of laws and regulations about the protection of copyrights

#### **Fundamental Laws To Be Promulgated**

In the past 9 years, the results China has achieved in creating cultural laws and regulations have brought about an initial change in the situation of the cultural field having no law to act upon and no regulations to follow. But people must also note that up to now, literature and art circles still suffer from excessive administrative interference. What is the cause of this? An analysis shows that there are the following several causes:

First, China's current effort to create cultural laws and regulations still remains at the low level of formulating cultural regulations. Fundamental laws in the cultural field remain to be promulgated.

Given that there is no "publication law" and no "film law," there are no clear-cut standards for legal judgment of works of literature and art. There are also no clear-cut legal provisions about whether an examination of works of literature and art is needed and how to make such an examination. This leaves room for individual will and officials' will to decide the fate of literature and art products. Actually, the top-level leadership, the departments in charge, and local party and government departments all seem to hold "life-and-death" power not found

in any provision of the law. A work that has cost its author a large amount of energy and the state a large sum of money is often put in mothballs, because a certain leader says something about it. For instance, the film "A Bloody Battle in Taierzhuang" was well received in various areas when shown. But Beijing was slow to give it the greenlight. It at last allowed it to be "shown with restrictions." An estimated box office income of 200,000 yuan was lost. Also, the movie "A Story That Should Not Have Happened" was first examined by a relevant department and was considered to have a harmful effect on the image of the party. No approval was given. But it received a nod from a top-level leader and was recommended as a picture for reference purposes that must be viewed by party members as a lesson to be learned in the party rectification effort. Obviously, this kind of interference has forced literature and art workers to show extremely great prudence and care in their work. Their enthusiasm for creation is thus dampened.

Legal protection for rights of products in the literature and art field is also a problem that remains to be solved, despite an appeal of many years for a solution. In recent years, there has been an increase in litigation in literature and art circles. Most of the cases are copyright disputes having to do with the protection of writers' interests. For example, disputes over films like "The Village in a City," "The 16th Ward," and "The Night of Jinling"; the dispute revolving around the copyright of the biography "The First Half of My Life"; the dispute over heirs to copyrights of Lu Xun's works; and so forth have all aroused society's attention. Given the absence of the "copyright law," not only are complicated cases difficult to handle but some not so complicated disputes are also held up, causing headaches.

In addition, the liberalization of the cultural market has been accompanied by the appearance of the following: cultural operating organizations in various forms, market competition in various kinds of art, the question of how to guarantee the thriving and health of the cultural market, and how to guarantee the production of culture and art in an environment of competition, with unity of social benefits and economic results brought about. Perfect legal provisions for all these are still lacking.

As things now stand, China's effort to build cultural laws and regulations is still marked by relatively great defects, such as poor planning, responses to things only of an urgent nature, and lack of purpose. The formulation of laws and regulations leans toward immediate needs. They are often drawn up as they are needed. Laws and regulations are marked by lack of coordination and lack of logic and order. Guiding thoughts give more attention to "control" than to "livening things up." Not enough importance is attached to the art of legislation. The line of distinction between the law and regulations and general documents is not clearly drawn. An effective system to supervise and inspect performance in implementing cultural regulations is still lacking. The cultural system does not have an effective enforcement force and

not law-enforcing means. It also does not have a perfect supervision and inspection system and an information feedback system in enforcing relevant laws and regulations.

#### **Several Cultural Regulations To Be Put Into Force**

Now, the strengthening of the effort to build laws and regulations in the cultural area has aroused the attention of high-level leaders of China. In many speeches on literature and art work, Chinese communist leaders have pointed out that party leaders must maintain a relative degree of detachment from the exploratory effort and contention in culture and art, in order to avoid inappropriately raising contention in the area of literature and art to the plane of a political problem. They must keep watch over the major direction and not bother about concrete matters. Concerning things that need to be taken care of, they should let government and judicial departments take charge through the means of legislation. Only in this way can the lasting stability of general and specific policies on literature and art be maintained,

providing a congenial environment for writers and artists. In a report at the first session of the 7th National People's Congress, Li Peng stressed that we must gradually perfect the building of the legal system in the cultural area, realistically strengthen control over the cultural market, protect healthy cultural undertakings according to the law, ban reactionary and obscene things, and resist the corrosive effects of hackneyed feudalist and capitalist thinking.

It has been revealed that some important laws in the cultural area, such as a "copyright law," will soon be submitted to the NPC for examination and discussion. Stepped up efforts have been made in drafting the "publication law" and the "movie law." The "library law" and the "museum law" have also been put on the agenda of the relevant cultural department as an important item. In addition, a number of important cultural laws and regulations, such as "regulations governing the cultural market," "regulations governing the protection of the cultural and art heritages of minority nationalities," "regulations governing the examination of films," and so forth, will successively come out before long.

**Air Force Gives Preferential Treatment to Basic-Level Officers**  
40050306C Beijing JIEFANGJUN BAO in Chinese  
24 Apr 88 p 1

[Article by Liu Congli 0491 1783 4409 and reporter Hong Heping 3163 0735 1627: "Air Force Sets Preferential Policy for Basic-Level Responsible Officers"]

[Text] On 11 April, at an Air Force basic-level political work meeting, the Political Department of the Air Force circulated a notice commending a number of outstanding basic-level responsible officers, and readjusted each one's grade one administrative level upward. A basic-level responsible officer at the meeting said, "A policy for basic-level responsible officers has finally been implemented."

At the beginning of this year, the Air Force formed an investigation team, which made a random survey of 225 basic-level responsible officers in 7 divisions, brigades, and regiments. It discovered that 600 of them wanted to be transferred to jobs in the organizations and 35 of them wanted to be transferred to civilian work. Last year, of more than 600 students who had been selected to study in the Air Force Political College, 67 percent indicated that after graduation they wanted to work in units and organizations in which conditions are good and which are near their homes.

Why are basic-level responsible officers not content to do basic-level work? After making an analysis of the situation revealed by the investigation, the Air Force's leadership organizations concluded that the main reason was that the measures and ways for arousing the enthusiasm of basic-level responsible officers were not vigorous enough. For example, organization cadres are regularly transferred to other posts, but basic-level responsible officers only have a fixed number of years at one post and do not have a fixed number of years for promotion, and the larger amount of subsidies that an organization cadre gets means that he increases his income and saves on expenses, while the basic-level responsible officer gets less subsidies, and so on and so forth.

The Air Force CPC Committee has now formulated the following measures:

The allowances for basic-level responsible officers who have been in their posts for an extended period of time have been increased. All basic-level responsible officers who have completed the minimum number of years set for a given post and who are required to continue working in the post of a responsible officer, beginning in their 5th year, will be given a monthly post allowance increase of 11 yuan equivalent to the salary at the next higher level.

Preferential treatment is to be given to basic-level responsible officers at special posts. For flight dadui political instructors who are ground cadres and who have completed 5 years in this post, and for basic-level responsible officers who have served in their present posts for 4 years, who have displayed ability and political integrity, and who are required to remain at their posts in companies on border defense, islands, mountains, and other hardship areas, in line with each comrade's display of ability and political integrity, their grades may be readjusted one administrative level higher (later grade adjustments will not be affected). After the grade readjustment, the basic-level responsible officer must continue to work in his post for 2 or more years.

With regard to cadres with technical ranks who are in units of their technical type and who had their post changed to that of a basic-level responsible officer, they can retain their technical ranks, and they will be assessed and readjusted according to regulations together with technical cadres.

In hardship areas cadres will take turns in serving as responsible officers of companies.

A fund for awarding outstanding Air Force basic-level responsible officers will be set up. The Air Force will raise 500,000 yuan for this fund. Every year more than 100 outstanding basic-level responsible officers will be selected for awards, and they will also be given certificates and badges.

09727

**NPC Representatives on New Situation for PLA**  
40050307C Beijing JIEFANGJUN BAO in Chinese  
1 Apr 88 p 1

[By reporters Jiang Liu 3068 2657 and Xu Peicheng 6079 3099 2052: "War Has Not Yet Been Eradicated, Be Prepared for Danger in Times of Peace, Make Allowances for the Government's Difficulties, Be Subordinate to the State's Overall Situation"]

[text] Beijing, 31 March—Three NPC representatives—Chi Haotian [6688 3185 3944], Yang Baibing [2799 4101 0393], and Zhao Nanqi [6392 0589 6386]—made statements during a group meeting to examine and approve the government's work report.

"Everybody is now discussing the concept of national defense, and I think that this question should first of all be taken up by the leaders and organizations at all levels." Chi Haotian said frankly: I suggest that, first, the government discuss military affairs. It should be seen that none of the hot spots in the contemporary world have been settled and that the danger of war has not been eliminated. Therefore, we must be prepared for danger in times of peace. Under the circumstances of reform and of opening to the outside world, everybody is making many slogans to promote China's development:

"Without industry there is no wealth, without commerce there are no products, and without agriculture there is no stability." We should add the phrase "without the military there is no security." In the past, to rescue the people from being trampled upon by aggressors, what a price we paid! At present our periphery is not tranquil, and the sound of gunfire on the Yunnan border never stops. We certainly cannot relax our thinking. Second, we must educate all the people to ardently love the armed forces and to understand the armed forces. That the armed forces won victory in the War To Resist U.S. Aggression and Aid Korea, under circumstances in which there was "one handful of snow for every handful of fried noodles," was because they had the powerful backing of the people. Everybody is now raising money and donations to rebuild the old Great Wall of history, and this is a good thing; however, what we must even pay more attention to is the safeguarding of the modern "Great Wall." Although we are a relatively poor armed force, our fighters are the most beloved soldiers in the world. Fighters on the Laoshan frontline have raised the slogan "The loss of one person, me, will bring happiness to 1 billion persons," and have raised the cry "Understand for 10,000 years." This shows their lofty ideological state, and also appeals to us to strengthen our concept of national defense. We certainly must not forget that a country, a nation that lacks the concept of national defense will suffer a big loss.

"Everybody has difficulties!" Representative Yang Baibing concentrated the topic of conversation on the subject that Chairman Deng brought up, namely, "the armed forces must exercise patience." He said that, in the situation of reform and opening to the outside world, there have appeared many new problems in armed forces building. For example, some cadres are discontented. There are many reasons, but they are really all connected with the fact that their pay is fairly low. At present, the monthly income of some cadres is not as much as that of a child just starting work. The units must develop equipment, and this means they must have a lot of money. The armed forces' funds are really competitively tight. Under these circumstances, some comrades ask: How much longer must we exercise patience? I think that the "exercise of patience" is not an expedient measure, but is a policy for a considerably long period of time. It is easier said than done to run a big country with a 1 billion population. We must make more allowances for the country's difficulties. At the same time, the "exercise of patience" is a positive policy. It is no good to think of it as a powerless, inert mental state. The armed forces are exercising patience now in order that the state economy will develop faster and the people's life will improve. In the end more money can be taken out for armed forces building. Under the premise of subordinating ourselves to the country's overall situation, we must fully display our subjective initiative and strive to handle the armed forces' affairs a little better. At the same time, I hope that the local comrades will understand and support our work. The armed forces must insure that the country's construction and reform have a stable environment, and

also must do what they can to support the state's economic construction; and must also reform themselves well—serve in a triple capacity. If there are many difficulties, we must proceed step by step, and we must not make the demands too urgent. In enhancing political work during the reform, we must continue to conduct propaganda and education in the units on Chairman Deng's principle that the "armed forces must exercise patience."

When Representative Zhao Nanqi discussed with everybody the necessity for the armed forces to engage in production and business and to broaden their sources of income and create income, he cited specific figures: China has 1/5 of the world's population and its total military expenditure is less than 1/5 of India's. The present state of affairs in the armed forces is not, as some people misunderstand, that they get a "double share" but that they get even less than "one share." Each year more than 1 billion yuan are paid out for three allowances—living expenses, operating expenses, and official expenses—and the standard food allowance for the PLA alone constitutes 30 percent of this amount; the armed forces must depend on their own production to meet these expenses. Obviously, he feels more deeply than many other representatives the pressure of less money for military expenditure. What is to be done? There are only two ways to solve the problem: ask the state for help or solve the problem ourselves. He said that, under the circumstances in which there cannot be a big increase in military expenditure, the armed forces can only take the path of self-production and self-subsidy. As the people's representative, he appealed to the government to solve two problems: first, formulate laws protecting armed forces production; and second, reduce the tax revenue from armed forces production and business, thereby creating conditions for the units' self-development.

09727

**Article: PLA's Reforms Must Be Farsighted**  
40050306A Beijing JIEFANGJUN BAO in Chinese  
29 Apr 88 p 3

[Article by Zhang Taiheng 1728 1132 1854: "Judge the Hour and Size Up the Situation; Understand Laws and Master Trends"]

[Text] Against a background of a period of relative stability and peace and of reform and openness, the building of the PLA has encountered many unprecedented new contradictions and new situations. The PLA must judge the hour and size up the situation, and first of all "smooth out relationships" in ideological theory. Laws are not just manifested in determinancy and stability; at the same time they are also manifested in trends. Judging the hour and sizing up the situation

cannot just stop at an analysis of the immediate environment and at an evaluation of the internal state of a system. At the same time, more attention should be paid to seeing clearly developing trends and to being a little more farsighted in reform.

1. Studying the laws of armed forces building in the new period cannot be separated from the environmental conditions of the PLA's building. Against the background of relative stability and peace and of reform and openness, the PLA's building can be said to be encountering many unprecedented new situations. For example:

- The international environment and the state's security and interests demand that we accelerate the modernization of national defense, but, under the circumstances in which the state's economic forces are still insufficient, we must not be impatient for success in national defense modernizations.
- The period of relative stability and peace objectively weakens the consciousness of military men, but the fiercely competitive international situation and the wars of the future demand that this consciousness be enhanced.
- The development of the socialist commodity economy on the one hand promotes the constant strengthening of the military men's concept of time and concept of results; on the other hand, the development of the commodity economy also causes some negative effects on unit building. For example: the contrast between the development of society and the development of military men has grown, and if not handled well it will easily weaken the military men's power of cohesion; the principle of exchange at equal value and the existence of the phenomenon of imbalance in distribution can waken the military men's spirit of dedication; and blind economic competition easily causes the pursuit of the part and harm to the interests of the whole, stimulates egoism, and corrodes the fighting body of military men.
- Military men must meet the needs of many types of wars and must also face the challenge, when they obtain employment again, of society's competition for talents.
- Military men urgently need to take the path of regularization, but the loss of personal possessions must not affect the pace of our regularization.

All of these things put us in a dilemma. However, on the path of building the PLA, which is paved with hope and which possesses distinctive Chinese features, we can only get out of this dilemma through a crack in the contradiction. From the historical curve in the development of armed forces, we can see that, although there are many differences in the situations of the armed forces in many countries, in many places there exist points in common. For example, in the building of the armed forces of any

country, the scale and pattern must suit its own security and interests, the speed at which the armed forces develop must suit the level of the development of the national economy, the armed forces' establishment and system must be integrated with the country's military strategy and technical level, the armed forces' modernization must make regularization a precondition, and so on and so forth. There are universals in armed forces building that the armed forces of each country, in the process of their modernization, need to comply with, and we are no exception. However, we must correctly guide the building of the PLA in the present stage; and we must also fully recognize the particularity that currently exists in the building of the PLA, judge the hour and size up the situation, and handle well the relationship between the universal and the particular. The ancients said: "If one doesn't judge the hour, one will make mistakes both on the side of leniency and on the side of strictness." When times change, methods change. In a certain sense, reform is the readjustment of the relationships between a system and its environment, and in a reform judging the hour and sizing up the situation is clearly more important.

2. Proceeding from our history, in handling affairs and pondering problems we are used to making the principles of the past our measure of value, and our study of new situations and new problems is inadequate. Even if many comrades can, in an endless flow, list many phenomena in the current state of affairs in the units, they cannot bring out the essence hidden behind these phenomena. If theoretical research stops at understanding phenomena and at giving simple explanations of them, at the most it can only write out prescriptions for curing headaches and sore feet.

In the revolutionary war years, the PLA, on the foundation of the resolution of the Gutian Conference, came up with a complete set of successful experiences in building the PLA, including the purpose of, the tasks in, and the guiding principles for building the PLA. In the fifties the PLA studied the experiences of foreign armies and took the path of becoming regular, and established some basic projects for modernization. In the sixties the PLA was basically built under the guidance of Lin Biao's theory of "giving prominence to politics." In the period of the "Cultural Revolution," Chairman Mao put forward the idea of making the PLA a "big school" in its building... After the PLA entered the new historical period, Chairman Deng and the leading comrades of the Military Commission, proceeding from the new historical conditions, put forward many new theories and principles for building the PLA. Centering on modernization—this central intersection of reform—the armed forces' ideological theory and reality of each period has played invisibly, consciously or unconsciously, an influential role. The question of the carrying forward and developing of theory in reality is something that we have not been able to handle well. Judging the hour and sizing up the situation first of all requires a "smoothing out of

relationships" in theory. For example, what is the function of national defense in a period of relative peace? What are the armed forces' objectives and missions? If these theoretical questions are not clarified or if erroneous tendencies occur in them, then the design of the entire macro edifice will be skewed. Without correct thinking about theory, the judging and sizing up of the "hour" and the "situation" are not clear.

The most fundamental laws of armed forces development were expounded in profound fashion in Engels' article "Armed Forces." He said the development of weapons and equipment determines the changes in the armed forces' groupings and in their operational modes, and from these changes come changes in the armed forces' management and system. This is like the development of production forces determining the production relationships. However, when we comprehend this law, we will certainly understand that armed forces are set in opposition to each other. Opposition is a two-sided matter. Of the two sides in opposition, whichever side has the technical conditions in which changes occur will affect the changes in the groupings and operational modes of the two sides' armed forces. Therefore, in our reform we cannot just consider the changes in the development of the object of our military operations.

From the basic laws conditioning the development of armed forces, we will cite some specific principles of a lawlike nature, such as those points in common that we noted above as being manifested in the building of the armed forces of all countries in the world. However, the armed forces of different countries are in different stages of development, and the laws and the principles of a lawlike nature are often reflected in different forms. For example, the modernization of armed forces cannot be separated from regularization, but in different historical stages in the development of armed forces there are different manifestations of regularization. In the fifties, with the world structure being that of two great camps pitted against each other, we had a single strategic goal and a single operational mode. At that time, in our regularization we stressed the "five unities." There was basically one pattern throughout the PLA for the the armed forces' establishment and system, education and training content, and guiding ideas for operations. In east, west, south, north, and central China, there was generally one pattern. But now there is a tendency in the world situation toward multipolarity, and our peripheral environment has become more complex. Our strategic goal has changed from single to plural, regional conflicts have become the main threat, and our operational mode is gradually becoming pluralized. Therefore, when we talk today about regularization, new characteristics are needed to unite regularization and diversification. The armed forces' establishment and system, education and training should embody the characteristics of different strategic directions and different strategic areas; and they should not be of one pattern but of many patterns. After the strategic change was made in the guiding ideology for building the PLA, the problem was that the

change, which should have drawn universal interest, did not draw the attention of more comrades. Once we discuss campaign training and campaign patterns, we must ask of each strategic area, no matter what its mission or who is the object of its operations: What are your technical conditions? With one voice everybody speaks about "large in-depth, highly three-dimensional, and omnidirectional" operations. The theory behind this assumes the posture of dealing with a world war, and it is way out of line with the strategic change in the guiding ideology for building the PLA. Things like this are all manifestations of a lack of judging the hour and sizing up the situation.

3. A law is naturally manifested in determinacy and stability; at the same time it is also manifested in a trend. Judging the hour and sizing up the situation cannot just stop at an analysis of the immediate environment and an evolution of the internal state of a system; at the same time attention must be paid to gaining an insight into developing trends. The reform of the armed forces and their development are separate stages, and we must not take things that can be done in the future and move them up to be done in the present. However, when we reform and build realistically, we must keep in mind the future and the developing trends. For example, miniaturization and professionalism are becoming a trend in the armed forces' development. Although in the PLA's realistic reforms it cannot become a professional armed force immediately, we must consider this "chess move" and gradually advance toward this goal. We must see the unity between the phased nature and the continuity of development. When Chairman Mao Zedong was guiding China's revolutionary wars, he strongly emphasized that when commanding a campaign one should keep in mind the next campaign; when commanding an initial battle one should think of its high tide and its outcome; and when commanding an operation in a war zone one should take into account its connections with other war zones. This is the way military operations are commanded, and the same principle applies to construction. Many comrades who are engaged in theoretical research often talk about the "large-scale system view" and the "large-scale system thinking," but in seeking a way to resolve the contradictions in the present stage they often neglect the links with future developments. Many things, looked at realistically, are rational, but being rational does not mean that they meet the demands of developing trends. For example, for a fairly long period, and still continuing, the armed forces have "run a society," but can it be said that this conforms to the special laws for building China's armed forces. Generally speaking, a policy only takes into consideration the rationality of present reality, but military strategy and political strategy must take into consideration long-term, future developments. Theoretical research not only needs to come up with a military strategy and a political strategy. In a period of major change, theoretical thinking is extremely

active. Broadly speaking, it is enthusiastic and its subjective aspirations are good. However, if we cannot "ride this steed"—the developing trends—it is possible that we will get today but lose tomorrow.

In building the PLA we have taken a zigzag path, as in the "negation of negation." For example, 30 years ago we instituted the system of military ranks, and later we negated this system; 30 years later we had to put a considerable amount of energy into restoring the system of military ranks, thereby making a new negation. Unfortunately, this "negation of negation" did not ascend in a spiral. Of course, taking a detour can educate people and make them a little smarter. However, the price paid to learn in this way is too high. Such being the case, why don't we be a little more farsighted? In its deepening reform the PLA has many things to do. The leaders must "not let floating clouds obscure their gaze," that is, they must judge the hour and size up the situation, recognize laws, and master trends.

09727

**Mao Zhiyong on Integrating Military Reserves**  
*40050308B Changsha HUNAN RIBAO in Chinese*  
18 Apr 88 pp 1, 3

[Text] The thesis "Integrating the Militia and the Reserves Is the Only Way To Build National Defense Reserve Forces That Possess Distinctive Chinese Features," which was written by Comrade Mao Zhiyong [3029 5268 3938], secretary of the provincial party committee, thoroughly explores the major significance and ways of strengthening the building of national defense reserve forces after the strategic change was made in the guiding ideology for building the PLA, and provides the theoretical basis for accelerating and deepening the reform of militia and reserve work. After this thesis was read out at the first all-China academic research meeting on the building of national defense reserve forces, which was held at the end of March, it was given an "excellent thesis" award by the Academy of Military Science.

In his thesis Comrade Mao Zhiyong emphatically pointed out that building national defense reserve forces in the period of peace is a strategic issue to which every sovereign state in the world pays extreme attention. The policy of integrating the militia and reserve systems, which was decided on by the party Central Committee and the Central Military Commission in order to strengthen the building of China's national defense reserve forces, is a development of Mao Zedong's idea of people's war under the new historical conditions. It is a strategic measure to strengthen the building of China's reserve force in the new period. It is the only way to build national defense reserve forces that possess distinctive Chinese features.

This thesis of Comrade Mao Zhiyong's is divided into four parts:

—Integrating the militia and the reserve systems is a strategic policy decision based on the idea of building the PLA in the new period.

Since the 3rd Plenary Session of the 11th CPC Central Committee, in line with Comrade Deng Xiaoping's judgment on the question of war and peace, there has been a strategic change in the guiding ideology for building China's armed forces. The party Central Committee and the Central Military Commission decided to switch the guiding ideology for building the PLA from the brink-of-war state in which it would fight "an early, big, nuclear war" to the tasks of building the PLA in a period of peace, and to switch the focus of PLA work to modernization. Following this strategic change, there were new developments in the building of China's national defense reserve forces. The single militia system of the past was developed into a system that integrated the militia and the reserves, and the past practice of "doing things in a big way" was switched to the task of building in a planned, focused way. This was a correct choice to meet the needs of the contemporary international strategic structure and to enhance the building of national defense forces. In particular, with the country now concentrating forces on socialist modernization and economic construction, under the circumstances in which there has been a big cut in the active duty units, by putting into practice the system in which the militia and the reserves are integrated, and in peacetime using fewer military forces and in wartime rapidly dispatching troops and using more military forces. This is the most effective way to strengthen the building of national defense reserve force, and at the same time it is determined by our national condition.

—Putting into practice a system that integrates the militia and the reserves is a carrying forward and development of China's traditional military system.

China's militia system is an armed people's system that was set up and developed during long struggles against enemies. It is an important component part of Mao Zedong's idea of people's war. The militia is the foundation of the "three integrated" armed forces, and is an important force for building and safeguarding the socialist state. In the new historical period, putting into practice a system that integrates the militia and the reserves is precisely a summation of China's experiences in building reserve forces and was proposed proceeding from China's actual situation. By putting the system into practice, we established China's national defense reserve forces on the solid foundation of the militia system and had it take deep root among the masses. The integration of the two systems was a case of learning from others' strong points to offset one's weaknesses, and the new system has more superiorities than the single militia system or the single reserve system. No matter whether in peacetime or wartime, it will play an important role.

—Putting into practice a system that integrates the militia and the reserves meets the needs of a future war against aggression.

In line with China's actual situation, in a future war against aggression, people's war will still be a magic

weapon for vanquishing the enemy. In conducting people's war, if there were no militia the system of "three integrated" armed forces would not be formed and the foundation for conducting people's war would be lost. Therefore, upholding the militia system is an important aspect of building China's reserve forces. At the same time, the characteristics of modern warfare tell us that just having a militia system is not enough, and that we must put into practice a reserve system, and set up and perfect a scientific rapid mobilization system. From the many assemblies and exercises of the Zhuzhou Army Reserve Division, which was formed in our province, we can clearly see that, compared to militia, a reserve unit has a tighter organization, superior equipment, and better training. It will play an irreplaceable role in the wartime mobilization system, and it is a link and a bridge going up from the militia to the field forces.

—Putting into practice a system that integrates the militia and the reserves meets the demands for economic construction in the period of peace.

The relationship between national defense construction and economic construction is one of interdependence. Economic construction is the foundation for national defense construction, and national defense construction is the support for economic construction. Therefore, national defense construction must be determined on the basis of the actual situation in state economic construction. In line with China's national situation—a large population and abundant troops—the Central Military Commission has adopted the policy for militia work of "reducing quantity, improving quality, getting a good grip on key points, and laying a good foundation." This policy not only suits our national condition and national strength, but also can more effectively enhance the building of national defense reserve forces. China's militia has a glorious tradition of engaging in productive labor and performing militia duties. By putting into practice a system that integrates the militia and the reserves, we can fully display the militia and reserve personnel's active leading role in the building of the "two civilizations," which will be advantageous for the development of economic construction.

At the end of his thesis, Comrade Mao Zhiyong said emphatically that getting a good grip on militia and reserve work and enhancing the building of national defense reserve forces are an important matter relating to the country's safety and are an unshirkable responsibility for party committees and governments at all levels. With regard to the question of how to maintain the party's control of the armed forces in the new situation, in his thesis he set forth these points: First, we must enhance ideological leadership, and constantly raise the consciousness of the position and role of the building of national defense reserve forces. Second, we must coordinate the relationships between economic construction and the building of national defense reserve forces. At the same time as demanding that the building of mutual defense forces be subordinate to and serve the overall situation in state economic construction, we must make the large number of cadres and masses understand that

the building of national defense reserve forces is an indispensable part of the "four modernizations." Unified plans should be made, taking all factors into consideration and conscientiously getting a good grip on them. Third, from top to bottom we must be careful about and support the work of the people's armed forces departments, so that the militia and reserve work in our province develops on a larger scale.

09727

### **Military Communications in Yunnan Damaged by Theft**

400503084 Beijing JIEFANGJUN BAO in Chinese  
30 Apr 88 p 1

[By Jiang Ping 3068 1627: "Yunnan Communication Lines Seriously Hit By Theft"]

[Text] At 1 hour before dawn on 20 April, the telephone line of a certain communications general station in Yunnan, Yuxi City that passes through Yunnan in a southern direction was again stolen, once again cutting the telephone line to the Laoshan frontline. That very night the emergency-repair fendui rushed to the sector where the line had been stolen, but because their "resources" were used up it was impossible to restore the line and they could only "look at the line and sigh."

Over the past 2 years thefts of military communication lines have occurred regularly, and the vileness of this crime is unprecedented. In the period from January 1987 to April 1988 alone, there were 39 incidents of thefts and the economic loss was more than 300,000 yuan. The local security department has only cracked 5 of these cases. The local public security departments have taken appropriate measures, but these cases in which military communication lines are stolen and national defense communication facilities are sabotaged have not stopped. In March of this year alone, in the counties and cities of Kunming, Yuxi, Anning, and Lubiao there occurred eight cases with a loss of several tens of thousands of yuan. The places where these cases occur extend to 12 prefectures, autonomous prefectures, cities, and counties in Yunnan Province. It is my understanding that the principal aim of the lawless elements in stealing military communication lines is to get sudden huge profits. They use them to make copper household utensils that are sold at high prices.

The signal communication units hope that the local governments and the local public security and judicial departments will take this problem seriously, truly investigating and dealing with this type of case and severely punishing the criminals.

09727



**Guangzhou MR Group Army Uses Production Income for Training**

40050306D Beijing JIEFANGJUN BAO in Chinese  
24 Apr 88 p 1

[By reporter He Delai [0149 1795 0171]: "1 Million Yuan Allocated for Investment in Training"]

[Text] As of the first part of April, a certain group army in the Guangzhou Military Region had allocated from production income more than 1 million yuan for its units' education and training. A good cycle, in which production income promotes the improvement of combat effectiveness, has begun to take shape.

Over the past several years, this group army's income from production and business has risen gradually, and this income has played a major role in improving the units' material and cultural life. After training began this year, the party committee of this group army allocated from production income 1 million yuan for the units' education and training. Subsequently, its divisions, brigades, and regiments, in line with each unit's actual situation, raised from production income a little over 800,000 yuan for military training. This fund is mainly used by the group army's units for acquiring training equipment, perfecting command systems, as well providing the basic facilities for the divisions' and regiments' military officer training centers.

09727

**PLA Sets Up Branch Engineering Design Institute on Hainan**

40050306B Beijing JIEFANGJUN BAO in Chinese  
19 May 88 p 2

[Article by Qu Yongyi [1448 3057 5039] and Tan Keming [3389 0460 2494]: "PLA Sets Up First Design Unit on Hainan"]

[Text] The solid techniques and fine reputation for designing and for quality of the No 4 Design Research Institute of the Engineering Corps have appeared in the ranks of Hainan's construction. On 29 April, a branch of this institute was formally established in Haikou. This is the first branch institute of the PLA's engineering design units to be established in Hainan Province.

For more than 30 years this institute has been engaged in underground engineering design. Since 1983, under the premise of completing military industrial tasks, it has put nearly a third of its scientists and technicians into research designing of surface architecture. Up to April of this year, it had undertaken 230 design tasks in more than 20 provinces and cities throughout China, with a total building area of more than 1.7 million sq km. Through the Survey and Design Management Department of Beijing Municipality, it is treated as a Type A survey and design unit.

After the central authorities' decision to develop and build up Hainan was made public, the institute sent people to

Hainan many times to investigate and seek ways of support that are suited to the institute's characteristics. Under the circumstances in which engineering design units inside and outside the PLA are springing up one after another in Hainan, this institute mainly does feasibility studies, planning, demonstrations, and design work for Hainan's underground and surface architectural engineering.

09727

**POL Network for All Armed Services Formed in Northeast**

40050307A Beijing JIEFANGJUN BAO in Chinese  
27 Apr 88 p 1

[By Wang Aiguo 3769 1947 0948 and correspondent Liu Shiren 0491 0013 0088: "Network for Supplying POL to Army, Navy, and Air Force in Northeast Formed"]

[Text] "From now on, any unit in the Northeast Region, no matter whether it is performing a special mission in wartime or is taking part in training and production in peacetime, provided it sends an official letter to its service arm's POL department, can at any place requisition the POL it needs."

On 4 April, Fu Ximao [0102 6932 5399] of the POL Department in the Shenyang Military Region, with an expression of joy on his face, briefed us writers as follows: for POL supply support in the Northeast Region there has been formed a four-in-one network of "supply, management, repair, and training," which provides for mutual supply of and management by the Army, Navy, and Air Force, which maintains equipment on the spot and nearby, and which trains specialized talents at designated places and fixed points.

At the beginning of 1987, with the support of leaders at all levels, the military region's POL department, with the Air Force, Navy, and the other professional departments in the Northeast Region, after repeated feasibility demonstrations, decided to gradually set up an interlocking network of all arms, so that in the entire region there would be formed a POL supply support network, which has as its base oil depots and has as its backbone unit oil depots and filling stations, and which is a four-in-one network of "supply, management, repair, and training." To insure the smooth practice of this reform, with the military region's POL department taking the lead, they held regular joint administrative meetings of service arms professional departments, linked up information, and solved problems; opened wide all the campaign reserve oil depots; opened up supplies to the units; reduced waste, and made it convenient for the units to requisition and use POL; transferred authority to lower levels, so that the group army's (or the unit equivalent to a group army) POL department has the authority to authorize the use and transfer POL; readjusted the types of reserves in all oil depots and fueling stations, so that there is a complete set of the primary and the secondary, a complete set of POL equipment, and a complete set of

service arm POL according to direction. All the subdepartmentals (the service arm units equivalent to subdepartments) set up a POL equipment maintenance base and specialized talents training points, which insures that equipment undergoes major overhauls without leaving the base and that personnel can take part in training on the spot or nearby.

This supply system has displayed many superiorities: It avoids the phenomenon in which, because the service arms in the same area were different, duplicate warehouses (stations) were built, thereby saving the state a large amount of funds. Last year several thousand tons of POL were mutually supplied and managed on the spot for the service arms of the nearby army in the area; according to conservative mathematical calculations, there were more than 1.3 million less kilometers transferred for transportation, thereby saving a little over 600,000 yuan in transportation expenses. It improves supply efficiency by solving such problems as the POL departments' difficulty in getting POL to remote units, equipment maintenance being difficult, and training being difficult. It is advantageous for strengthening the connections between service arms and for improving the capability of oil depots and fueling stations to provide independent support and combined support during a future war against aggression.

09727

**Letter Points Out Problem of Understrength Companies**

40050307b Beijing JIEFANGJUN BAO in Chinese  
14 May 88 p 3

[Article by Chen Caixing 3088 2088 5281, Jinan Military Region Headquarters in Column "Letters to the Editor": "What Is the Time for 'Seasonal Companies'?"]

[Text] Comrade Editor:

Since November of last year, I have gone down to the units 4 times and investigated nearly 100 companies,

during which I discovered serious personnel shortages in about 90 percent of the companies. In most companies there were 30 to 40 men left, in a few companies there were 20 to 30 men left, and in individual companies there were only 7 to 8 men left. The serious personnel shortage in a company each year after its veterans are demobilized is called the "rational personnel shortage period." After the recruits go into a company, there are more soldiers in the company, and this is called the "basically full-strength period." The term "seasonal company" stems from these phenomena.

The main reason for the serious personnel shortage in the companies is: some of the veterans leave when demobilized, in that year the recruits who have joined the army receive concentrated training and do not yet go into the company as replacements; in addition some of the veterans at the end of the year and the beginning of the year write reports, engage in concentrated training, and some of them are transferred out of the company by the higher level. The company's personnel at times are at full strength and at other times are under strength, a situation that has a fairly great adverse effect on the overall building at the basic level. First, it makes it difficult to make sound the company's CPC, CYL, armymen committees, and other basic-level organizations, and it makes it difficult to uphold the system of organizing life. Second, the troops are in an unsteady state of mind and they are quite anxious. Third, in the companies of many units, squads cannot become fully developed squads and platoons cannot become fully developed platoons, a situation that is detrimental to the carrying out of military training and to the initiating of recreational and sports activities. Fourth, it is detrimental to administration and management, and it makes the implementation of rules and regulations difficult. I suggest that when the higher-level organizations arrange work, they consider the "chessboard" as a whole and as much as possible transfer fewer men out of companies, thereby changing the phenomenon of "seasonal companies."

09727

## EAST REGION

### Han Peixin Addresses Jiangsu Discipline Inspection Commission Meeting

40050386D Nanjing XINHUA RIBAO in Chinese  
25 Apr 88 p 1

[Article by Lu Aimin 0712 1947 3046: "Discipline Inspection Work Must Promote Honesty In State And Party Organs"]

[Text] The 5-day plenary (enlarged) meeting of the Provincial Discipline Inspection Commission closed yesterday. Addressing the conference yesterday, Secretary Han Peixin [7281 1014 0207] of the Jiangsu Provincial CPC Committee emphasized that discipline inspection work must concentrate on ensuring honesty in party and state organs and promoting party style construction. He demanded that party committees at all levels put party style construction on the top of their agendas and enforce party discipline in earnest.

Han Peixin said, "Since the 12th NPC, party committees at all levels have worked hard to rectify the party style and improve the social climate, but the results are far from satisfactory. Following the development of a socialist commodity economy, organs and sectors have become extravagant and wasteful. Entertaining and the sending of presents have been on the rise. More bribes are being offered and accepted. Bureaucratism is spreading. This shows that at a time when we are developing a commodity economy and opening up to the outside world, whether or not party and state organs can remain honest and law-abiding and keep their spirit of arduous struggle have become a critical point that will determine the success or failure of reform. Since our party is the ruling party, a majority of the leading cadres in party and state organs constitute the backbone of the party. The kind of climate inside party and state organs has a major effect on the entire party and entire society. To the public, party style in a sense is essentially the thinking of leading cadres in party and state organs and the way they behave. Once leading organs and cadres establish a proper style, they will be in a position to influence the vast numbers of basic organizations, party members, and cadres and spearhead the improvement of party style as a whole and even the climate of society at large."

Han Peixin said, "To maintain and further honesty in party and state organs, we must do a good job in three areas at the moment. First, investigations. People who have violated party discipline seriously must be punished in accordance with party rules. People who have broken the law must be punished in accordance with the law. Every single corrupt individual must be got rid of. Under no circumstances should evil be tolerated and abetted. Where unhealthy tendencies have remained egregious for a long period of time or where party members who have broken the law or violated party discipline are tolerated, shielded, or winked at, the leaders of the party organization or locality concerned

must be held accountable. Second, institutional construction. Party committees above the county level must work out an evaluation and supervision system for leading cadres in accordance with the spirit of relevant CPC Central Committee documents within this year. Third, advocate the honest way of doing things vigorously. Party committees and discipline inspection commissions at all levels should carry out positive education to make every party member understand that we must promote honesty in government not only now, but also in the future when the economy has developed and the people have prospered. Right now we must aggressively reverse the tendency toward lavish entertaining, giving of presents, and conspicuous consumption."

Han Peixin also called on party and state leading organs at all levels to further unify their understanding of party style rectification if they are to create a good party style in the midst of reform and opening to the outside world. Party committees as well as state organs, including economic departments, must adhere to the principle of "dualism." "Dualism" does not mean "separating the two." As leaders at the forefront of reform, comrades in economic construction, reform, and the open policy have an even greater responsibility to combine party style construction with economic work. A glaring problem in party style construction today is that some party organizations and leading cadres cannot properly reconcile reform and the open policy, on the one hand, with party style construction, on the other. Some localities have slackened party discipline and do not pay enough attention to party style construction, even turning a blind eye to serious breaches of party discipline. This problem must be addressed and resolved as soon as possible. If we ignore party style construction and the strengthening of party discipline, we will not succeed in economic construction either. Reform and the open policy will also be interfered with and impaired."

Han Peixin said, "Discipline inspection commissions must, on the one hand, consider and work out regulations on party style and party discipline without delay, contribute to the creation of an export-oriented economy, and unequivocally protect and support party organizations, party members, and cadres who have the courage to be pioneers and innovators in reform and the open policy and who actually get things done boldly and confidently. On the other hand, discipline inspection commissions must fulfill their supervisory role, firmly oppose and correct unhealthy tendencies within the party which interfere with reform, the open policy, and the creation of an export-oriented economy, and rigorously investigate people who, in the name of reform and the open policy, have exploited loopholes in reform and damaged the development of an export-oriented economy, seriously violating party discipline in the process."

Han Peixin also said, "To create a good party style, we must insist that the party be run strictly and that discipline be enforced. Nowadays, some units neither

investigate cases which should be investigated nor punish people who should be punished. They err by being too lenient and too soft. As a result, some unhealthy tendencies appear frequently despite attempts to stop them. The people are very dissatisfied with this. Party committees at all levels should pay particular attention to this matter."

Han Peixin said that to implement the principle of running the party strictly, we must first establish and perfect a system of party activities. Next, we must investigate cases and enforce discipline strictly. Third, we must do a good job in education. This year we should educate party members in ideals, goals, discipline, and the improvement of ideology and style, revolving around our opposition to corrupt phenomena.

Han Peixin demanded that following party-state separation, party committees at all levels further strengthen leadership and target their resources at party construction. To do otherwise would be a dereliction of duty. The provincial party committee must take a lead here. Any party committee above the county level must do a concerted study on party construction at least once every quarter. Party committees at all levels should support discipline inspection commissions in enforcing discipline impartially and support discipline inspection cadres when they are attacked. They should help discipline inspection cadres resolve the latter's practical difficulties in order to relieve their anxiety. Discipline inspection commissions at all levels should do more to improve themselves and adapt to the new and changing situation as soon as possible.

The latest plenary (enlarged) meeting of the Provincial Discipline Inspection Commission deliberated on and made plans for major tasks in discipline inspection work this year. Through studies and discussions, participating comrades clarified the guiding ideology behind discipline inspection work. They came away inspired and more confident that they could do a good job in discipline inspection.

Han Peixin, Gu Xiulian [7357 4423 5571], Sun Han [1327 7318], Liu Lin [2692 2651], Zhou Ze [0719 3419], Xing Bai [6717 4101], Hu Fuming [5170 4395 2492], Gu Hao [7357 3185] and other leaders on the Provincial CPC Committee and Discipline Inspection Commission met with attending comrades yesterday afternoon.

12581

**Shandong Civil Litigation Increasing**  
40050386B Jinan DAZHONG RIBAO in Chinese  
8 May 88 p 4

[Article by Guan Shengying [7070 0581 5391]: "More And More People Turn To The Courts To Settle Civil Disputes"]

[Text] Civil cases have been increasing steadily in Shandong in recent years. From 1980 to 1987, the province

handled 349,946 civil cases of first instance, a jump of 12.5 percent annually on the average. Judging from the cases that have been closed, civil litigation in the province has these characteristics:

—The number of marital cases has been climbing steadily year after year. Between 1980 and 1987, Shandong handled 152,159 marital cases altogether, 43.5 percent of all civil cases of first instance and the largest among the various types of cases. Among the marital cases that have been closed, divorce cases involving arranged or mercenary marriages have declined, while divorce cases among couples who had rushed into marriage and cases that arose from the involvement of a third party or changes in one party's economic or social status have gone up sharply. The reasons are as follows: 1) Because of the publicity surrounding the Marriage Law and its implementation, changes in the social, political, and economic conditions, and a rising educational standard among the public, the fetters of feudal marriage have increasingly been replaced by the socialist principle of free marriage. Most young men and women desire marital freedom. 2) With a rising economic and political status, women want to put an end to their position as men's appendages, assert their rights as independent human beings, and put their talents to work in the arena of the commodity economy. No longer are they willing to continue to suffer from the feudal view of marriage—"marry a cock, follow a cock; marry a dog, follow a dog" and "a good woman does not marry two men." As a result, of all divorce cases handled by the People's Court, 70 percent are filed by women. 3) Reform, the policy of opening to the outside world, and economic vitalization have enabled some people to become rich quickly, but the corrosive effects of money and materialism and decadent bourgeois ideas have also found their way into marriage and the family. Consequently, some people ignore socialist marital ethics and cannot wait to free themselves from their legal obligations to spouse and family and from their social responsibility. They get married in haste and divorce in haste. They are fickle in love. There may be the involvement of a third party. Even such ugly and corrupt phenomena as bigamy and concubinage happen frequently. Hence the rising number of divorce cases.

—Cases involving debts have doubled. In 1980, the province handled only 317 cases involving debts, 23.3 percent of all civil cases of first instance. The doubling of this kind of litigation is the result of the development of a commodity economy. In the past, people took out loans usually to pay for the essentials of life. As the commodity economy developed, this is no longer the sole purpose of borrowing. Instead, loans are used to finance production and business. Moreover, loans now involve bigger sums of money and carry higher interest rates. When a business is mismanaged or totters on the brink of bankruptcy, disputes readily occur.

—Cases involving elderly support have gone up, although the course is uneven. These are the reasons. First, some people do not have a strong sense of ethics or of law. They regard the elderly as a burden and use all sorts of excuses to shirk the responsibility of providing for them. Second, basic organizations are inept and cannot keep up managerially. After the production responsibility system came into effect in the countryside, the tactics of deducting work-points from the wages of a child and withholding grain and other living expenses no longer work. Thus when a dispute arises over parental support, there is no alternative but to take the case to court. Third, elderly support cases also arise when family property is divided unfairly, when there are conflicting claims to an inheritance, and when somebody refuses to pay elderly support.

—More suits have been filed by people seeking damages and compensation, including a notable increase in cases involving personal rights and property rights. A new phenomenon in civil litigation in recent years involves disputes over irrigation works, land, land adjacent to a field, and corners as well as disputes over the improper handling of the conflicting claims of property owners with adjoining pieces of land.

—There has been a parade of new cases never or seldom heard before by the courts. Following the promulgation and implementation of the civil law general rules, cases involving copyrights, portrait rights, and reputation began flooding the courts and became a new assignment for them.

Mounting civil litigation reflects, on the one hand, the numerous elements of instability in society, the mishandling of which is bound to undermine social stability and, on the other, a general increase in the sense of legality among citizens. When his legal rights are encroached upon, a citizen now has the courage to approach the court and seek legal protection. Accordingly, the People's Court must rely on social forces closely, discharge its judicial function to the full, accelerate the processing of cases, and improve the quality of its adjudication. It should do a good job in resolving civil disputes, adjust civil legal relations properly and promptly in accordance with the law, and create a good social climate and economic order for reform and construction.

12581

**Leaders' Timidity, Not People's Low Tolerance, Said Cause of Slow Reform**  
40050386c Shanghai JIEFANG RIBAO in Chinese  
15 Jun 88 p 1

[Article by Sima Xin [0674 7456 1800]: "Stop Blaming The People's Supposedly Low 'Tolerance Threshold'"]

[Text] "The masses' low tolerance threshold" has almost become the catch phrase of some leading comrades. You

say the big rice pot must be smashed, and they say it would exceed the people's "tolerance threshold." You say you want to unveil a piece of reform, and they say the masses would not agree. In many a case, the catch phrase has become the rationale for putting off reform, thereby missing an opportune moment.

As reformers, we certainly must consider the ability of the masses to tolerate a piece of reform. The comrades described above are mostly motivated by a "concern for the people." But the point is that the "popular psychology" must be assessed scientifically. Now that reform has come this far, it is clear that the masses' "tolerance threshold" is not all that fragile. Aren't people moaning and groaning a lot these days? Behind this grumbling, however, is often a dissatisfaction with the "no peace, no war, neither dead nor alive" status quo. For example, amid people's complaints about the "uselessness of education," can we not hear now and then a call for reforming higher education? Faced with the grim reality—"one is better off selling tea-leaf eggs than researching guided missiles," aren't more and more scientific and technical personnel "going into business" or searching for a way to directly combine research with production? Incapable of accurately gauging social inclinations and the masses' "tolerance threshold," some of our comrades assume that the boat will overturn as soon as they hear some murmurs of discontent and worry that the sky will fall down when they see a ripple of unrest. Rather than attributing everything to the masses' "low threshold," the comrades should admit that the real problem is their own faintheartedness and their failure to understand these basic principles: discontent is often the mother of progress and a little disturbance is normal in reform. If they cannot figure this out, how are they to provide proper guidance for the masses, surmount difficulties, and advance? Then there is a handful of leading cadres who are content with their position and power. Better to muddle through in peace and quiet than to take chances with reform and run the risk of being a pioneer. Now you cannot blame this on the masses' "low tolerance threshold."

Reform in China has reached a critical juncture. Apparently it is our leading cadres who will determine whether or not our society can take the risk of reform and sail through this difficult period by accelerating reform.

12581

**Shanghai Cracks Down on Corruption, Bribery With 'Crime Report Centers'**  
40050386a Shanghai WEN HUI BAO in Chinese  
24 Jun 88 pp 1-2

[Article by Tang Ying [0781 5391]: "Citizens Are Encouraged To Report Crime"]

[Text] To mobilize the masses to fight corruption, bribery, and other economic crimes and to promote honesty in government organs and government workers, the Shanghai People's Procuratorate decided to establish

crime report centers throughout the municipality to receive reports of and complaints about corruption and bribe-taking. The centers formally opened to accept complaints today.

The primary function of the corruption and bribe-taking report centers is to receive and handle reports and complaints by organizations, groups, enterprises, institutions, and citizens about workers in government organs (including basic law-enforcement bodies, administrative and management departments, and public utilities) taking bribes, engaging in corruption, cheating on taxes, and misappropriating public funds by abusing their office. They also receive criminals who surrender themselves.

According to the announcement issued by the municipal people's procuratorate on the crime report centers, people who report crimes and lodge complaints will be protected by law. No unit or individual shall infringe upon the informant or complainant's legal rights in any way using whatever excuse. Nor shall they engage in obstruction, retaliation, and entrapment. A violator shall be dealt with in accordance with the law and may be held criminally liable. A person who renders great service by reporting an offense will be rewarded morally and materially depending on the circumstances of the case. Any unit or individual, upon discovering corruption, bribery, and other criminal activities or a person suspected of having committed such crime, is duty-bound to make a report. They shall not conceal what they know of a case. Nor should they handle the case on their own. Nobody shall trump up charges in order to frame another person on the pretext of reporting a crime. Otherwise he will be held legally liable. However, a person who makes a wrong charge unintentionally or whose accusation turns out to be unfounded unintentionally is not to be considered in this category.

The announcement says that all economic criminals who have engaged in corruption or taken bribes should surrender themselves in order to atone for their crimes. Their surrender may be taken as a mitigating factor in sentencing.

Deputy Directors Yu Yuanhao [0151 3293 3185] and Qi Shigui [3344 0013 6311] of the Shanghai People's Procuratorate held a press conference yesterday afternoon on the establishment on the centers. Comrade Shi Zhusan [4258 4376 0005] attended and addressed the gathering. He said that procuratorial organs must assume the vital responsibility of fighting economic crime such as corruption and bribery and tackle it as their top priority in the second half of this year.

To make it easier for people to file complaints, the crime report center at the procuratorate has a special mail box number, 3124. Each crime report center has its own telephone hotline, as follows.

Municipal People's Procuratorate 370336 315173 372313  
Nanshi District 775344  
Xuhui District 384628 384537

Jingan District 587410  
Zhabei District 627607  
Yangpu District 432624  
Wusong District 693846 693748

Shihua Area 932719 932204  
Ext. 26  
Jiading County 954673 Ext. 117

Chuansha County 983829

Qingpu County 972647

Fengxian County 976036  
Chongming County 961384  
961879

12581

Huangpu District 230530

Luwan District 375883  
Changning District  
525009

Putuo District 584765  
Hongkou District 253792  
Minhang District 300658  
Rail Transport 253030  
Ext. 22138, 21168

Shanghai County 921256  
921830

Baoshan County 694853  
692524

Nanhui County 986821  
986797

Songjiang County County  
No 2628

Jinshan County 937801

## CENTRAL-SOUTH REGION

**Guangdong Leader Stresses Honest Government**  
*HK2108005788 Guangzhou Guangdong Provincial  
Service in Mandarin 1030 GMT 20 Aug 88*

[Text] Xie Fei, deputy secretary of the provincial party committee, spoke today at the provincial meeting of party and government cadres at and above departmental and bureau level, on the question of how to maintain clean and honest government. Xie Fei said that the party and government organs must work hard in the following respects in order to remain clean and honest:

1. The party and government organs must establish a new style of stressing honesty, service, and efficiency.
2. Correctly handle the relationship between clean and honest government on the one hand and reforms and economic invigoration on the other.
3. Separating government from enterprises and officialdom from commerce is an important condition for keeping clean and honest government.
4. Further change functions, delegate powers, and reduce the number of links in the chain of getting things done.
5. Reform the personnel system and ensure fairness and impartiality in employing people.
6. Strengthen management over the law enforcement and management departments.
7. Make administrative work more open and step up democratic supervision.
8. Improve pay and conditions and advocate clean and honest government.

Xie Fei said: These views do not constitute all the measures for ensuring clean and honest government, but I think that these are the main and the basic points. So long as the comrades seriously act along this line in conjunction with the reality of their localities and units, it will be completely possible for the party and government organs in Guangdong to stay clean and honest.

Comrade Ye Xuanping afterwards spoke at the meeting.

### **Henan Organizational Conference Opens**

*HK2208063888 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 21 Aug 88*

[Excerpts] How should all areas and units guarantee the implementation of the strategy for economic development by selecting large numbers of talented people and raising the quality of cadres? This is a question that our comrades on the front of organizational work have to seriously consider and exert efforts to approach. Meanwhile, we must firmly foster the fundamental guiding ideology, that organizational work should serve the implementation of the party's basic line and the expansion of productive forces; and must reinforce party member contingents and party organizations to meet the needs of governing the party with strictness and carrying out reforms in a deep-going way. We must also take effective measures to guarantee that party and government organizations will keep clean and honest, spare no efforts to raise the quality of cadres and adopt vigorous but prudent measures to promote reform of the personnel system relating to cadres, to provide the organizational guarantee for the implementation of the party's basic line. This was stressed by Comrade Zhao Di, deputy secretary of the Provincial Party Committee, when speaking at a provincial organizational work conference, which opened yesterday.

In analysing the real state of affairs in the province's party member contingent and the ranks of cadres, Comrade Zhao Di pointed out: Generally speaking, they are good but there are indeed some factors which do not suit the present situation. For example, the quality of some party member cadres is inferior and quite a number of comrades are not divorced from outmoded concepts, they are especially influenced by the concept of petty producers and their ideology is conservative and closed. Due to historical reasons, some cadres are accustomed to the formalism characterized by rigid uniformity and swift, superficial actions; they even tell lies, exaggerate successes, deceive their superiors and delude their subordinates. In particular, our Henan province was profoundly influenced by leftist ideas for a long time and suffered a lot in the political movements launched one after another in the past, thus the disunity of cadres plunged a number of comrades into a long internal strife. Furthermore, some cadres have contracted the bad habit of paying too much attention to their connections and

despising the cause of the party. Some people who do not work hard but harbor evil intentions and play politics by cottoning up to backstage bosses can attain eminence step by step. Nevertheless, some people who have both ability and political integrity and are honest and righteous are often put under pressure and discriminated against. And in some units and areas, there is even an unhealthy trend that good people are not praised and evil doings not spit on, and talented people are not put in important positions but those who live by their wits are overbearing and unbridled. Such a situation has not only dampened the enthusiasm of vast numbers of cadres and resulted in grievances among the people, but also directly affected reform and construction in all aspects as well as the province's development of productive forces. We should, therefore, understand and approach all problems existing in the ranks of party member cadres from the high plane of promoting the development of productive forces and guaranteeing the implementation of strategy for social and economic development. Comrade Zhao Di stressed: The previous method of assessing and selecting cadres with doors closed and in a mystical way should be discarded. Instead, we should follow the mass line, insist on democratic assessment and adhere to the principle of putting cadres under open and democratic supervision and encouraging them to compete with each other on an equal footing. The practice of 'letting Bo Le select horses' should be abandoned and replaced by the practice of selecting horses of fine breeds through racing. This will help us broaden our vision in selecting cadres and avoid mistakes in employing them. Organization departments should be strict with themselves and accept supervision from all spheres on their own accord. They must take the lead in protecting the purity of the party and doing away with all kinds of unhealthy tendencies.

Comrade Zhao Di concluded: It is hoped that party committees at all levels will take party building as an urgent task in their work. Party committees at the prefectural and city levels should improve the system of discussing affairs regarding party building at joint meetings and party committees at the county and township levels should step by step set up a system of contracting responsibility for party building to strengthen party building in an overall way.

(Liu Guangxian), Director of the Provincial Party Committee Organization Department, delivered at the meeting a report entitled "Make Efforts To Do a Good Job at Organizational Work of the Party in the New Historical Period and Guarantee the Implementation of the Party's Basic Line." More than 600 people attended the meeting, including deputy secretaries of party committees at the city and prefectural levels in charge of organizational work, organization department directors of party committees at the city, prefectural and county levels, and comrades responsible for organs directly under the provincial authorities, factories and mines affiliated with the provincial authorities and universities and colleges.